DOCUMENT RESUME

ED 226 172 CE 035 016

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TITLE SCORE/ACE Counselor Handbook. Service Corps of Retired Executives. Active Corps of Executives.
INSTITUTION Small Business Administration, Fargo, ND.
PUB DATE [Dec 82]
NOTE 102p.
PUB TYPE Guides - Non-Classroom Use (055)

EDRS PRICE MF01/PC05 Plus Postage.
DESCRIPTORS Accounting; Budgeting; *Business Administration; Capital; Check Lists; *Counseling Techniques; *Counselor Role; *Entrepreneurship; Money Management; Planning; Postsecondary Education; *Small Businesses
IDENTIFIERS Cash Flow; *North Dakota; *SCORE ACE Program; Small Business Administration

ABSTRACT

This counselor handbook is intended to help Service Corps of Retired Executives/Active Corps of Executives (SCORE/ACE) counselors to plan and conduct counseling services more effectively. Included in the introductory section are an overview of the SCORE/ACE counseling program, a discussion of what the counselor does, directions for completing counseling reports, suggestions for overcoming counseling barriers, and a checklist of effective counseling techniques. Next, a counselor checklist is provided that contains questions on topics such as market evaluation, merchandising, pricing policies, sales development, seasonal variations, location, layout, recordkeeping, financial management, credit policies, and personnel policies. Addressed in a section on business statement analysis are the managerial uses of accounting statement analysis and ratios, formulas for the ratios, break-even analysis, cash management, and cash-flow tools. A business plan working outline is provided along with an examination of how a business plan helps small-business owners and managers. Concluding the guide is a section of counseling information that consists of lists of Small Business Administration counseling assistance programs, additional sources of counseling information, and offices to contact when planning a business. (MN)

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SCORE/ACE COUNSELOR HANDBOOK

Service Corps Of Retired Executives

Active Corps of Executives

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-ABSTRACT-

The SCORE/ACE Counselor Handbook answers a need to provide reference for counselors who serve a variety of small business. The handbook includes a series of checklists focusing upon counseling techniques and specific business operations. A counselor may refer to the table of contents to locate checklists which suggest questions to ask, information to provide, and/or recommendations to make regarding specific marketing, management, and financial operations or problem areas. In addition, summarized reference materials are provided to enable the counselor to explain such topics as different business ratios, cash flow, and breakeven points. Supplementary Small Business Administration Publications are identified for each business operation.

Use of the Counselor Handbook should enable SCORE/ACT Counselor to more effectively plan and conduct counseling services. Credit for the planning and development of this handbook is extended to the following individuals:

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THE COUNSELING PROCESS

THE SCORE/ACE COUNSELING PROGRAM

The counselor is the main arm of SCORE/ACE, and counseling is the main action, but how is SCORE organized and what other operations are there besides counseling?

Established in 1964, SCORE is a voluntary organization of retired businessmen and women. Four years later, ACE, its corollary organization of active executives, was formed. Both organizations offer their skill, knowledge and experience without fee to assist small business owners/managers in solving their operating problems. They are sponsored by the Small Business Administration. The legal relationship of the SBA, SCORE and ACE is governed by the grant of authority and power by Congress to the SBA, set forth in Section 8(b) of the Small Business Act (Public Law 85-536, as amended).

In July 1971, SCORE became a part of ACTION, the Federal Citizens Service Corps. although the SBA continued to administer and direct the program. In July 1975, SCORE and ACE were returned to the full sponsorship of the SBA by Executive Order #11871.

The National SCORE Council serves as the voice of SCORE and ACE and acts in an advisory capacity to the SBA. It is comprised of a chairman and one regional SCORE representative elected by the chapter chairpersons from each of the ten SBA regions. The National SCORE Council sets the National SCORE policies and gives general direction to the National SCORE Office in Washington, D.C.

Regional SCORE representatives appoint district SCORE representatives, who give appropriate guidance to chapter chairpersons and convey to each chapter worthwhile and successful administrative and operational procedures.

The Corps is constantly striving to maintain a suitable level of communications among its representatives and offices. The National SCORE Office maintains a communications network throughout SCORE to the counselor for the purpose of keeping up-to-date in counseling skills and special subjects, such as crime loss reduction, foreign trade and energy cost reduction. Public relations direction for SCORE naturally comes from the National Office.

WHAT THE COUNSELOR DOES

The counselor does <u>counseling</u> and it begins when he or she is assigned a case and receives a copy of the completed form 641 (application), Request for Counseling. This may be received at the counselor's home, SCORE office or SCORE desk at a SBA office.

When handling "walk-in" clients, it will be helpful to review the information on the 641 before beginning the interview. (Use copies of 641 in this discussion.) It usually takes only a few moments to:

- check the client's problems and requests which are recorded on the back of the form, and

- recall some special bit of knowledge or experience which will help the client.

If an immediate screening interview is not required, the counselor will have the opportunity to:

- promptly arrange a mutually agreeable time and location for the first counseling session at the office, the counselor's home, the client's home or place of business, and

- do some homework in preparation for the meeting, for example:

  "The client noted on the 641 that she was having difficulty locating good "fashion outlets" for supplying stylish young women's dresses. The counselor secured the names and addresses of reliable potential suppliers and had them ready for the interview."

Fill out reporting form 1062 after each counseling session and submit to the District SBA Office.

Fill out vouchers for phone and travel expenses from counselor's residence to client's home or place of business. Use form 1164 for this expense report.

HELP for Small Business

SBA
U.S. Small Business Administration
Request for Counseling

SBA
U.S. Small Business Administration
Washington, DC 20416

Official Business
Penalty for Private Use, $300

BUSINESS REPLY MAIL
FIRST CLASS PERMIT NO. 12303 WASHINGTON, DC

POSTAGE WILL BE PAID BY U.S. SMALL BUSINESS ADMINISTRATION

SMALL BUSINESS ADMINISTRATION
P.O. BOX 3086
FARGO, ND 58108-3086

NO POSTAGE
NECESSARY
IF MAILED
IN THE
UNITED STATES

Your local **U.S. Small Business Administration** offers numerous training and counseling programs that include the following:

- **starting a small business**
- **developing records and bookkeeping systems**
- **locating sources of financing**
- **developing customers**
- **locating a business site**

Please complete the form on the reverse side and mail to the above SBA office. You will be contacted by an SBA representative when this information is received.

SBA Form 641 (2-82) Previous editions are obsolete

OMB 3245-0019

SMALL BUSINESS ADMINISTRATION

REQUEST FOR MANAGEMENT ASSISTANCE

Please Print

Name of Company	Name of Inquirer	Telephone #

Street	City	State	County	Zip

Employer ID #	Social Security Number	Veteran	Viet Era Veteran
		Yes ☐ No ☐	Yes ☐ No ☐ Discharged:

Are you presently:	Yes	No	Can you furnish a recent:	Yes	No
In Business?	☐	☐	Balance Sheet?	☐	☐
Starting a Business?	☐	☐	Profit & Loss Statement?	☐	☐
SBA Borrower?	☐	☐			

Kind of business/services (Please specify)

Retail (Selling) _____ Construction _____

Service (Kind) _____ Wholesale (Selling) _____

Manufacturing (Product) _____ Other (Specify) _____

Check the problem areas for which you seek assistance.

- ☐ 1. Starting a New Business
- ☐ 2. Sources of Credit and Financing
- ☐ 3. Increasing Sales
- ☐ 4. Advertising & Sales Promotion
- ☐ 5. Market Research
- ☐ 6. Selling to the Government
- ☐ 7. Bidding and Estimating
- ☐ 8. International Trade
- ☐ 9. Recordkeeping and Accounting
- ☐ 10. Financial Statements
- ☐ 11. Office or Plant Management
- ☐ 12. Personnel
- ☐ 13. Engineering and Research
- ☐ 14. Inventory Control
- ☐ 15. Purchasing
- ☐ 16. Credit & Collections

Please describe how SBA may be of assistance.

I request management assistance from the Small Business Administration. I understand that this assistance is free of charge and that I incur no obligation to SBA or its counselor for providing this assistance. I authorize SBA to furnish relevant information to the assigned management counselor although I expect that information to be held in strict confidence by him/her.

I further understand that any counselor has agreed not to: (1) recommend goods or services from sources in which he/she has an interest and (2) accept fees or commissions developing from this counseling relationship. In consideration of SBA's furnishing management or technical assistance, I waive all claims against SBA personnel or counselors arising from this assistance.

Signature and Title of Requestor	Date
9	

SBA Form 641 (2-82) Previous editions are obsolete

GPO 887-502

OMB 3245-0019

SMALL BUSINESS ADMINISTRATION

REQUEST FOR MANAGEMENT ASSISTANCE

Please Print

Name of Company	Name of Inquirer	Telephone =
MR. BILLS	BILL PALLASCH	293-0045

Street	City	State	County	Zip
1200 BROADWAY	FARGO	ND	CASS	58103

Employer ID =	Social Security Number	Veteran	Viet Era Veteran
	232 25 2981	Yes ☐ No ☒	Yes ☐ No ☒ Discharged:

Are you presently:	Yes	No	Can you furnish a recent:	Yes	No
In Business?	☒	☐	Balance Sheet?	☒	☐
Starting a Business?	☐	☐	Profit & Loss Statement?	☒	☐
SBA Borrower?	☐	☐			

Kind of business/services (Please specify)

Retail (Selling) MENS CLOTHING
Service (Kind) _____
Manufacturing (Product) _____
Construction _____
Wholesale (Selling) _____
Other (Specify) _____

Check the problem areas for which you seek assistance.

- ☐ 1. Starting a New Business
- ☐ 2. Sources of Credit and Financing
- ☒ 3. Increasing Sales
- ☒ 4. Advertising & Sales Promotion
- ☐ 5. Market Research
- ☐ 6. Selling to the Government
- ☐ 7. Bidding and Estimating
- ☐ 8. International Trade
- ☐ 9. Recordkeeping and Accounting
- ☒ 10. Financial Statements
- ☐ 11. Office or Plant Management
- ☐ 12. Personnel
- ☐ 13. Engineering and Research
- ☐ 14. Inventory Control
- ☐ 15. Purchasing
- ☐ 16. Credit & Collections

Please describe how SBA may be of assistance.

NEED ASSISTANCE WITH SALES PROMOTION ACTIVITIES AND THE PRICING OF MERCHANDISE TO PROVIDE A PROFIT.

I request management assistance from the Small Business Administration. I understand that this assistance is free of charge and that I incur no obligation to SBA or its counselor for providing this assistance. I authorize SBA to furnish relevant information to the assigned management counselor although I expect that information to be held in strict confidence by him/her.

I further understand that any counselor has agreed not to: (1) recommend goods or services from sources in which he/she has an interest and (2) accept fees or commissions developing from this counseling relationship. In consideration of SBA's furnishing management or technical assistance, I waive all claims against SBA personnel or counselors arising from this assistance.

Signature and Title of Requestor	Date
Bill Pallasch	JAN. 5, 1983

SBA Form 641 (2-82) Previous editions are obsolete

GPO 887-507

HOW TO COMPLETE COUNSELING REPORTS

A report on each counseling case is prepared and submitted to the designated SCORE and ACE office or person responsible within a reasonable time after each interview, but not more than 10 days thereafter. In addition, a record of each counseling action must be recorded on an SBA form 1062 (Management Assistance Control Record) so counselors will receive appropriate credit for their activities. These forms are supplied with each case assignment and additional forms are available from the SBA or SCORE office or designated person. It is preferable that reports be typed, but handwritten reports are acceptable.

1062 Management Assistance Control Record

Usually, the first two copies go to the SBA Management Assistance office, one to the chapter file and one for the counselor.

Boxes not mentioned below are not to be completed by counselor.

Section A

Boxes 1, 2, 3, 4, 5 and 7. Name and place of business.
Box 10. Client's business I.D. number (issued by IRS). If none, the client's social security number.

Section B

Box A - usually 1 of first 3 squares.
B - usually first square.
C - usually first or second square (use local instructions).
D - usually square 5.
E - obvious.
H, I, J are obvious.
K - check square 1 when writing a case closure report hereon.
M, O, P, Q - use local or district instructions.

Section C

Box 13 - State problem of problems briefly.

Box 14 - List briefly recommendations in same order as problems in box 13.

Box 15 - e.g., "client has applied for loan and is awaiting results."

Box 16 - remarks - discretionary.

Boxes 17, 18, 19, 20 - obvious.

Please complete a form 1062 for each counseling session. This enables SCORE to receive credit for work performed. As mentioned above, it is also used to report the case closure.

SBA 1062 Report Form - Management Assistance Control Record

BUSINESS NAME_____ ADDRESS_____

CITY_____ STATE_____ ZIP_____ COUNTY_____

Information for completion of travel voucher: Date(s) of travel_____

Lv_____ Time_____ Speedometer Reading_____
(home)

Ar_____ Time_____ Speedometer Reading_____
(client)

Lv_____ Time_____ Speedometer Reading_____
(client)

Ar_____ Time_____ Speedometer Reading_____
(home)

Telephone Calls: Date_____ Cost_____ From_____ To_____

Time spent with client:_____ SCORE/ACE_____ SBI_____ 406_____ Other____

If there were any other stops in your travel to and from client, please list on back.

LODGING EXPENSE: Place stayed and amount per night_____
(PLEASE SUBMIT RECEIPT FROM MOTEL)

ATTEMPT TO COMPLETE THE FOLLOWING INFORMATION ON THE BUSINESS FOR THIS YEAR TO DATE AND FOR LAST YEAR END.

	Date	# Months	Last Year End Date
	_____	_____	_____
Sales	$_____		$_____
New Profit	$_____		$_____
New Worth	$_____		$_____
No. of Employees	_____		_____

Financial Records Available? Yes_____ No_____

Are they used? Yes_____ No_____

Problem Identified:

Solutions and Recommendations:

Implementation Progress:

Remarks:

Do you recommend follow on? When? Date Action Completed_____

Name and address of Inquirer:

Telephone No. (incl. area code):

Name of Counselor:

Soc. Sec. No. of Counselor:

Any other comments:

MANAGEMENT DEVELOPMENT PLAN

In processing applications for loans, qualified SCORE and ACE members are sometimes asked to evaluate the capabilities of a client and fill out the Management Development Plan form 933. Instructions and procedures for completing the form are normally furnished by the SBA district office to the chapters. A projection of the clients' performance is often enhanced by this comprehensive evaluation and plan.

Most of our clients have very small businesses; 80% achieve revenues of ~~$100,000~~ $250,000 per year or less. Many are just considering going into business. Most of these two groups lack some necessary managerial skills and for the most part, they need our counselors' help. In other words, your background, although it will not be the same as all your clients' businesses, your general business knowledge and experience will be very helpful in a majority of cases.

Form Approved
OMB 100-R0084

MANAGEMENT DEVELOPMENT PLAN

NOTE: This form is to be completed in order to help the client better prepare himself to become a successful businessman and to identify any potential problem areas.

LOAN NUMBER if applicable

SECTION I

MA Officer Assigned	Person Completing Evaluation	Loan Specialist or Minority Entrepeneur Representative
James Stai	Bruce Harmon [ ] Score [X] Ace [ ] Other	

Name of Client	Home Address (Include ZIP Code)	Age	Phone No.
Bill Pallasch	1846 16 St. South Fargo, North Dakota 58103	40	293-0045

Name of Business	Business Address (Include ZIP Code)	Phone No.
Mr. Bills	123 Main Street Fargo, North Dakota 58103	293-9714

Type of Business: [X] Retail [ ] Service [ ] Manufacturing [ ] Wholesale [ ] Construction

Description of Business - Including any unique aspects

Men's clothing store with emphasis on sports wear and a small area for western wear.

Legal Entity: [X] Proprietorship [ ] Corporation [ ] Partnership [ ] Limited Partnership

Is client familiar with the advantages and disadvantages of this choice? [X] Yes [ ] No

[X] Prospective Business [ ] Existing Business [ ] Buying Business [ ] Relocation

Duties of Client:

The client was manage and operate the men's clothing store. He will supervise the personnel, assist with the buying, control the advertising, and project sales & exp.

SECTION II - BACKGROUND OF APPLICANT

A. Education

Years Completed	Months Completed	
6 Elementary School	___ Com. bus. school	___ Industry training
6 High School	___ Vocational school	___ Other (Specify)
4 College BA Degree	___ On-the-job training	___

B. Military Service (Management skills learned and used)

C. Work Experience

Employee Dates	Description of Business	Client's Duties
1960-1965	J. C. Penney's - sales associate and display manager.	
1965-1975	Johnson Department Store - assistant manager responsible for merchandising the store and training the sales staff.	

Manager Dates	Description of Business	Client's Duties
1975-present	Lee's Department Store - store manager responsible for the entire operation: merchandising, staffing, controlling, advertising, and store operations.	

Owner Dates	Description of Business	Client's Duties

D. Reasons applicant chose this line of business

The client has had the management experience in operating a retail store. He recognized the need for a quality men's store.

SECTION III - KNOWLEDGE OF BUSINESS NEEDS

Investment: How much and what kind of initial capital investment is client putting into business?

Cash? $50,000
Assets? -0-
How Valued (basis)?

Customers: (Where will they come from?) (Trade area and share of market)
Customers will come from a 75 mile radius with emphasis on the man between the ages of 25 and 75.

Location: Why did client pick it? (Give its advantages and, if any, its disadvantages)
The location of the business provides easy access with plenty of parking within one block.

Lease: What are the terms? Is rent, including any alterations, reasonable? [X] Yes [ ] No (If no, elaborate)
5 year lease with the possiblity of a second 5 year lease.

Licensing and Zoning: What are the local requirements and does client know about them for the business?
Client's business is located in the business district.

Hours of Operation: What will be the hours this business will be open?
9 a.m. to 6 p.m. and 9 a.m. to 9 p.m. Dec. 1 thru Dec. 23.

Suppliers: Has client investigated sources? [X] Yes [ ] No Credit Terms? [X] Yes [ ] No (Elaborate if any answers are No)
Delivery arrangements? [X] Yes [ ] No

Will he have sufficient knowledge to select the right amount and kind of inventory? [X] Yes [ ] No

Insurance: Has he checked into this sufficiently, including theft, liability, vandalism, life and employee fidelity bond?
[X] Yes [ ] No (Underline types to be carried and adJ any others.)

Personnel: How many people will be employed? 4 full-time 2 part-time What will be their salaries, wages and fringe benefits? Based on area averages for this type of business.
What are the sources for hiring employees?
Does client understand the ordinances and laws involved? [X] Yes [ ] No

Advertising and Promotion: What is the advertising plan?
Will advertise on a monthly basis with 4 special promotions during the year.
What does applicant believe will be the cost? $550 per month.
Brief assessment of client's advertising plans: Use radio, newspapers, and some direct mail.

Credit: What will be the business' credit policy?
Net 30

Sales, costs and cash flow projections: Does client understand them? [X] Yes [ ] No
Are they realistic? [X] Yes [ ] No If not, please elaborate.
Do you think client will try to follow them or use them as a tool in making business decisions? [X] Yes [ ] No
If a now or changing business, has client sufficiently looked into the potentially unforeseen expenses so that they will not cripple the business' working capital? [X] Yes [ ] No
Does the client do adequate planning for the future? [X] Yes [ ] No

Pricing: What is the method of establishing prices? Retail method
Does client know whether he can make money at reasonably attainable sales goals? [X] Yes [ ] No
Does client know whether he can be competitive? [X] Yes [ ] No

Purposes of Loan and Amounts Requested for each Purpose:

[ ] Organization Expenses	[ ] Machinery and Equipment
[ ] Vehicles	[X] Building Improvements
[ ] Tools and Supplies	[ ] Wk. Cap. - - Inventory
[X] Furniture and Fixtures	[X] Wk. Cap. - - Other
[ ] Purchase Business	[ ] Other

$110,000
TOTAL LOAN AMOUNT _____

SBA FORM 933 (3-74)

Breakeven, budgeting and cost control information:

Does client know the breakeven points and how to calculate? [X] Yes [ ] No

Will this information be used to control, set selling prices and check against accounting information? [X] Yes [ ] No

Do some items carry others? [X] Yes [ ] No

Are breakeven points reasonable to attain considering capacity and market? [X] Yes [ ] No

Work.ng Capital:

Does there seem to be enough working capital provided from client's funds and/or loan? [X] Yes [ ] No (If yes, this must be supported by the cash flow. If no, please comment.)

Will client be able to withdraw sufficient money from the business to support the family without hurting the business?

[X] Yes [ ] No How much is needed? $1,200 per month.

Recordkeeping:

What is client's understanding of recordkeeping needed to manage this business successfully? He has some knowledge but is limited.

What kind of accounting system will be used? [ ] Cash [X] Accrual [ ] Hybrid

Does applicant understand the significance of the difference? [ ] Yes [X] No

Does client know what a profit and loss statement and balance sheet are and how to use them? [X] Yes [ ] No

Does client intend to use them? [X] Yes [ ] No

SECTION IV - CHARACTERISTICS OF CLIENT

Motivation:

Does client seem motivated sufficiently to follow through to success with this business? [X] Yes [ ] No

Does client seem like a self-starter who will discipline himself sufficiently? [X] Yes [ ] No

Attitude:

Does client have an open mind toward continuous management advice? [X] Yes [ ] No

Does client appear to think his only significant problem is adequate capital? [X] Yes [ ] No

What is the spouse's attitude towards this business? [X] Positive [ ] Negative

Personal History:

Married? [X] Yes [ ] No If yes, for how long? 20 How many children at home? 1

Does spouse work? [ ] Yes [X] No If yes, lenght of employment

Character:

Do you think client would present an impression of honesty and confidence with whom he deals? [X] Yes [ ] No

Does client have good appearance for the job? [X] Yes [ ] No

Have good personality for the duties he will have? [X] Yes [ ] No

SECTION V - NARRATIVE

As a result of the interview with the applicant, write a short narrative of the general impression he makes as a businessman. Is he articulate? Does he seem to have energy and drive? Are there any physical handicaps which might impair his ability to manage? Does he seem knowledgeable and confident, etc? If you think applicant can operate this business successfully, state why, including consideration of required breakeven point versus what you think he can obtain. If you believe applicant cannot operate successfully, please comment the same way, only on a negative basis. Does he have the technical competence? Note any other comments you think would be pertinent.

Mr. Pallasch has the necessary business skills and management experience to operate a men's clothing store. He projects a friendly and helpful attitude and he projects a positive image. He knows his costs for doing business and has the knowledge of pricing merchandise to provide a profit for the store.

SECTION VI - CONCLUSIONS

Existing Business

- [ ] Applicant doing well, can probably success without management assistance.
- [ ] Applicant can probably success, but will have greater assurance of success and higher profit with the assistance recommended below.
- [ ] Applicant probably cannot succeed unless recommendations contained below are implemented.
- [ ] Applicant, even with management assistance, probably cannot successfully manage this business (Substantiated by evaluation, including narrative).

Prospective Business (includes those buying a business)

- [ ] Applicant probably needs no management assistance to succeed.
- [X] Applicant can probably succeed, but will have greater assurance of success and higher profit with the assistance recommended below.
- [ ] Applicant probably cannot succeed unless recommendations contained below are implemented.
- [ ] Applicant, even with prescribed management assistance, probably cannot manage proposed business successfully (Substantiated by evaluation, including narrative).

Management Factors Needing Attention
(X appropriate box)

[ ] 1. Sufficient customers (or potential)	[ ] 6. Merchandising	[X] 11. Credit & Collections	[ ] 16. Motivation
[ ] 2. Location	[ ] 7. Advertising & sales promotion	[ ] 12. Pricing	[ ] 17. Attitude
[ ] 3. Initial stock and suppliers	[X] 8. Recordkeeping & budgeting	[ ] 13. Projections	[ ] 18. Character
[ ] 4. Layout	[ ] 9. Insurance, taxes, regulations	[ ] 14. Personnel	[ ] 19. Sales to breakeven
[ ] 5. Technical skills	[ ] 10. Money Needs	[ ] 15. Future planning	[ ] 20. Other (specify) _____

Mgmt Factors Needing Attn (Number)	Action to Provide the Needed Attention (Use brief narrative phrases to describe the factors needing attention and assistance to be provided and/or action to be taken to correct or minimize a deficiency.)
8	Client will need assistance in establishing the proper accounting records and procedures.
11	Client will need assistance in establishing a procedure for keeping accounts receivable current and a systematic procedure for collecting past-due accounts.

Signature of Management Assistance Officer	Signature of Volunteer Completing report.
	Bruce Harmon

District or Branch Office	Regional Office	Date

SBA FORM 933 (3-74)

GPO 929-163

TRAVEL VOUCHER

(Read the Privacy Act Statement on the back)

1. DEPARTMENT OR ESTABLISHMENT, BUREAU DIVISION OR OFFICE

2. TYPE OF TRAVEL
☐ TEMPORARY DUTY
☐ PERMANENT CHANGE OF STATION

3. VOUCHER NO.

4. SCHEDULE NO.

5. TRAVELER (PAYEE)
a. NAME *(Last, first, middle initial)*

b. SOCIAL SECURITY NO.

6. PERIOD OF TRAVEL
a. FROM
b. TO

c. MAILING ADDRESS *(Include ZIP Code)*

d. OFFICE TELEPHONE NO.

7. TRAVEL AUTHORIZATION
a. NUMBER(S)
b. DATE(S)

e. PRESENT DUTY STATION

f. RESIDENCE *(City and State)*

10. CHECK NO.

8. TRAVEL ADVANCE
a. Outstanding
b. Amount to be applied
Amount due Government *(Attached: ☐ Check ☐ Cash)*
D. Balance outstanding

9. CASH PAYMENT RECEIPT
a. DATE RECEIVED
b. AMOUNT RECEIVED $
c. PAYEE'S SIGNATURE

11. PAID BY

12. GOVERNMENT TRANSPORTATION REQUESTS, OR TRANSPORTATION TICKETS, IF PURCHASED WITH CASH *(List by number below and attach passenger coupon; if cash is used show claim on reverse side.)*

I hereby assign to the United States any right I may have against any parties in connection with reimbursable transportation charges described below, purchased under cash payment procedures (FPMR 101-7) ▶ *Traveler's Initials*

AGENT'S VALUATION OF TICKET (a)	ISSUING CARRIER (Initials) (b)	MODE, CLASS OF SERVICE AND ACCOMMODATIONS (c)	DATE ISSUED (d)	POINTS OF TRAVEL FROM (e)	POINTS OF TRAVEL TO (f)

13. I certify that this voucher is true and correct to the best of my knowledge and belief, and that payment or credit has not been received by me. When applicable, per diem claimed is based on the average cost of lodging incurred during the period covered by this voucher.

TRAVELER SIGN HERE ▶ | DATE | AMOUNT CLAIMED ▶ $

NOTE: Falsification of an item in an expense account works a forfeiture of claim (28 U.S.C. 2514) and may result in a fine of not more than $10,000 or imprisonment for not more than 5 years or both (18 U.S.C. 287; i.d. 1001).

14. This voucher is approved. Long distance telephone calls, if any, are certified as necessary in the interest of the Government. *(NOTE: If long distance telephone calls are included, the approving official must have been authorized in writing by the head of the department or agency to so certify (31 U.S.C. 680a).)*

APPROVING OFFICIAL SIGN HERE ▶ | DATE

15. LAST PRECEDING VOUCHER PAID UNDER SAME TRAVEL AUTHORIZATION
a. VOUCHER NO.
b. D.O. SYMBOL
c. MONTH & YEAR

16. THIS VOUCHER IS CERTIFIED CORRECT AND PROPER FOR PAYMENT

AUTHORIZED CERTIFYING OFFICIAL SIGN HERE ▶ | DATE

17. *FOR FINANCE OFFICE USE ONLY*
COMPUTATION $
a. DIFFERENCES, IF ANY *(Explain and show amount)*
b. TOTAL VERIFIED CORRECT FOR CHARGE TO APPROPRIATION
Certifier's initials: $
c. APPLIED TO TRAVEL ADVANCE *(Appropriation symbol):* $
d. NET TO TRAVELER ▶ $

18. ACCOUNTING CLASSIFICATION

1012-114

STANDARD FORM 1012 (REV. 10-77)
Prescribed by GSA, FPMR (41 CFR) 101-7

SCHEDULE OF EXPENSES AND AMOUNTS CLAIMED

INSTRUCTIONS TO TRAVELER *(Unlisted items are self-explanatory)*

Col. (c) If the voucher includes per diem allowances for members of employee's immediate family, show members' names, ages, and relationship to employee and marital status of children (unless information is shown on the travel authorization.)

Complete only for actual expense travel

Col. (d) thru (g) Show amount incurred for each meal including tax and tips and daily total meal cost.

(h) Show expenses, such as: laundry, cleaning and pressing of clothes, tips to bellboys, porters, etc. (other than for meals).

(i) Complete for per diem and actual expense travel.

(j) Show total subsistence expense incurred for actual expense travel.

(m) Show per diem amount, limited to maximum rate, or if travel on actual expense, show the lesser of the amount from col. (j) or maximum rate.

(n) Show expenses, such as: taxi/limousine fares, air fare (if purchased with cash), local or long distance telephone calls for Government business, car rental, relocation other than subsistence, etc.

Complete this information if this is a continuation sheet. PAGE ____ OF ____ PAGES

TRAVEL AUTHORIZATION NO.

TRAVELER'S LAST NAME

DATE 19____ (a)	TIME (Hour and am/pm) (b)	DESCRIPTION (Departure/arrival city, per diem computation, or other explanations of expense) (c)	ITEMIZED SUBSISTENCE EXPENSES: MEALS: BREAKFAST (d)	MEALS: LUNCH (e)	MEALS: DINNER (f)	MEALS: TOTAL (g)	MISCELLANEOUS SUBSISTENCE (h)	LODGING (i)	TOTAL SUBSISTENCE EXPENSE (j)	MILEAGE RATE: ¢ NO. OF MILES (k)	AMOUNT CLAIMED: MILEAGE (l)	SUBSISTENCE (m)	OTHER (n)
									SUBTOTALS ▶				
									TOTALS ▶				

If additional space is required, continue on another SF 1012 BACK, leaving the front blank.

Enter grand total of columns (l), (m) and (n), below and in item 13 on the front of this form.

TOTAL AMOUNT CLAIMED ▶

In compliance with the Privacy Act of 1974, the following information is provided: Solicitation of the information on this form is authorized by 5 U.S.C. Chap. 57 as implemented by the Federal Travel Regulations (FPMR 101-7), E.O. 11609 of July 22, 1971, E.O. 11012 of March 27, 1962, E.O. 9397 of November 22, 1943, and 26 U.S.C. 6011(b) and 6109. The primary purpose of the requested information is to determine payment or reimbursement to eligible individuals for allowable travel and/or relocation expenses incurred under appropriate administrative authorization and to record and maintain costs of such reimbursements to the Government. The information will be used by officers and employees who have a need for the information in the performance of their official duties. The information may be disclosed to appropriate Federal, State, local, or foreign agencies, when relevant to civil, criminal, or regulatory investigations or prosecutions, or when pursuant to a requirement by this agency in connection with the hiring or firing of an employee, the issuance of a security clearance, or investigations of the performance of official duty while in Government service. Your Social Security Account Number (SSN) is solicited under the authority of the Internal Revenue Code (26 U.S.C. 6011(b) and 6109) and E.O. 9397, November 22, 1943, for use as a tax payer and/or employee identification number. Disclosure is MANDATORY on vouchers claiming travel and/or relocation allowance expense reimbursement which is, or may be, taxable income. Disclosure of your SSN and other requested information is voluntary in all other instances; however, failure to provide the information (other than SSN) required to support the claim may result in delay or loss of reimbursement.

COUNSELORS' CODE OF ETHICS

Thus, from time to time you may be asked to counsel a client in a business which you have not experienced. In most cases you will be able to help substantially, but also when needed, call in other counselors with more pertinent background to assist. This service is a part of your commitment along with your pledge of the following:

1. I offer my services freely for the benefit of the local small business community.

2. I do not simultaneously counsel cases in which clients are in direct competition with each other.

3. I will not accept cases in which there might be a conflict of interest situation.

4. I will not charge for my services as a volunteer.

OVERCOMING COUNSELING BARRIERS

A good working knowledge of effective business counseling techniques and the skills to perform them well will probably be more helpful than any of our other abilities in guiding our clients to the right business decisions.

Techniques of counseling have received major emphasis in the counselor training sessions presented to thousands of SCORE members throughout the United States. Following these meetings, the participants were surveyed and they requested even more of the same. In fact, Counseling Techniques was chosen over all other subjects, including financial controls, loans, orientation and marketing.

The Chapter will cover the techniques of:

- the counseling interview--with emphasis on rapport and passive and active listening. "Getting through the barriers" and helping the clients identify the problems;

- leading them to their own right decisions;

- assisting in a coach or mentor role, in putting the right solution into effect;

- good "feedback," conclusion and case closure; and

- effective counseling in a summary format.

The barriers to finding true problem causes and solutions are often varied and complex. A brief discussion of the more frequently occurring ones is as follows:

- The natural reaction of many small business persons is to resist outside advice and assistance. They are classic examples of the "I'll do it my way" attitude. The fact that they choose to "run" their own business is evidence of their independence and drive for individuality--very strong "egos."

- Frequently they have an antipathy for the "establishment" and reject government and the "bureaucracy" as wasteful interferers and "impeders" of their efforts in the free enterprise system.

- Of those seeking counsel, it is sometimes believed that a percentage of clients simply tolerate counseling to get something they think they need, such as a loan, sympathy or a "catharsis" for their frustrations.

- A "non-directive" type interview does not inhibit the client; and passive listening with acknowledgment responses and active listening techniques allows, and in fact encourages, the client to talk about the problem, free of damaged ego inhibitors.

CHECKLIST OF EFFECTIVE COUNSELING TECHNIQUES

A practical check list can be used to remind counselors of ways to improve counseling techniques:

For Better Counseling:

- Tune in to the client. Use empathy.
- Don't jump to conclusions.
- Look for the main ideas.
- Watch out for the client's feelings.
- Monitor your own feelings and point of view.
- Notice non-verbal language.
- Work at listening.
- Get the data you need for good understanding.
- Restate important points in your own words.
- Don't try to cover too many subjects.
- Bite your tongue.
- Be sure you've got all the facts.

Critical Steps in the Counseling Process

- Maintain a business attitude.
- Keep on track.
- Get additional information.
- Pay compliments.
- If you need help, admit it and get it.
- Don't waste time.
- Summarize key facts and commitments.
- Schedule your suggestions.

Field Visit Hints

- Be prepared!
- Be sure you are qualified to make the visit.
- Have the background and history of the business well in mind.
- Let the client know you are coming. Be sure the time is convenient for him.
- Look around before you enter the client's place of business.
- Be sure the client knows why you are there.
- Give compliments and discreet suggestions for improvement.
- You are not expected to know all the answers. Get help if needed.

COUNSELING CHECKLIST QUESTIONS

PLANNING & MANAGEMENT

COUNSELING CHECKLIST QUESTIONS AND RELATED SBA PUBLICATIONS[1]

The responsibilities of a SCORE/ACE counselor are many and varied. The purpose of this handbook is to give you assistance in fulfilling the client's expectations.

The small business owner/operator today must possess numerous skills. The following checklists contain questions that will guide you in determining where your counseling efforts should be directed.

The checklists were not designed to be used as the only counseling tool. They were designed to serve as a guide in your preparation for the counseling visit. A suggestion (recommendation) is that the counseling client should not see the "checklists," as this would detract from spontaneity of the counseling session.

The SBA office will normally tell you of the problem area(s) that the client(s) indicated in their counseling request. You then should review the appropriate checklist prior to your scheduled visit. By discussing the checklist points with the client you will be able to determine if the problem, indicated by the client is truly the problem; if there are other problems, and what could be an appropriate plan of action to correct problem area(s).

In order to determine the major problems of your client as well as to assist you in developing a counseling plan, your counseling report should contain the following figures: net sales, gross profit ($ and/or %), net profit ($ and/or %), net worth, accounts receivable turnover, inventory turnover, and accounts payable turnover.

The following checklists and related SBA reference publications can be used by you as a counselor prior to meeting with the client. You may wish to obtain copies of appropriate SBA publications to leave with the client. The checklists identify certain questions or points of discussion regarding these topics:

1. Market Evaluation Checklist
2. Merchandising Checklist
3. Pricing Policies Checklist
4. Sales Development Checklist
5. Seasonal Variations Checklist

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[1]Checklist Lists and References prepared by Larry Mandigo Business Management Specialist, Casper District Office.

6. Location Checklist

   (a) Retailers
   (b) Wholesalers
   (c) Manufacturers
   (d) Service Firms

7. Layout Checklist

   (a) Retailers
   (b) Wholesalers
   (c) Manufacturers

8. Recordkeeping Checklist

9. Expenses and Break=even Checklist

10. Assets Adequacy Evaluation Checklist

11. Purchasing and Inventory Control Checklist

12. Credit Policies Checklist

13. Personnel Policies Checklist

14. Financial Condition Checklist

1. Market Evaluation Checklist

   A. Is the firm's major problem a lack of sales?

   B. What has been the trend of sales in recent years?

   C. What factors can be determined as the reason for the trend of sales?

   D. Was a proper market survey made when the firm started?

   E. If so, what were the predicted results in sales volume?

   F. If not, should such a survey be made now?

   G. Have the basic sources of market survey data been studied? Sources of data for making market surveys may include but are not limited to:

      (1) Major trading maps
      (2) Road maps
      (3) Census tracts
      (4) The United States Census of Business
      (5) Trade association reports
      (6) Chambers of Commerce
      (7) Bureau of Business & Economic Research at Universities
      (8) Market research
      (9) Advertising firms

   H. Does population growth, new competition, or competition change in methods justify new ways of serving this market?

   I. Has the character of the population in the trading area changed, aside from general growth or decline? Has this affected sales?

   J. Has the ratio of population to number of firms in this trading area changed since the firm was established? If so, what has been done by management to keep current with these changes?

   K. Does the future look good, medium, or bad for this firm in this market?

RELATED SBA REFERENCES--MARKETING

MA	1.002	"What is the Best Selling Price?"
MA	1.020	"Profit Pricing and Costing for Services"
MA	1.005	"Pricing for Small Manufacturers"
MA	4.007	"Selling Products on Consignment"
MA	1.007	"Credit and Collections"
MA	4.008	"Tips on Getting More for Your Marketing Dollar"
MA	7.003	"Market Overseas with U.S. Government Help"
MA	4.009	"Exhibiting at Trade Shows"
MA	4.010	"Developing New Accounts"
MA	4.013	"A Pricing Checklist for Small Retailers"
MA	4.015	"Advertising Guidelines for Small Retail Firms"
MA	4.017	"Public Relations for Small Business"
MA	4.018	"Plan Your Advertising Budget"
MA	4.020	"Do You Know the Results of Your Advertising?"
SMA	2.017	"Factors in Considering a Shopping Center"
SMA	2.020	"Business Plan for Retailers"
SMA	2.021	"Using a Traffic Study to Select a Retail Store Site"
SMA	4.012	"Marketing Checklist for Small Retailers"
SMA	4.019	"Learning About Your Market"
SMA	2.024	"Store Location: 'Little Things' Mean a Lot"
SBB	10	"Retailing"
SBB	13	"National Directories for Use in Marketing"
SBB	29	"National Mailing-List Houses"
SBB	89	"Marketing for Small Business"

2. Merchandising Checklist

A. Does the owner recognize the differences in convenience, shopping, and specialty goods?

Convenience goods are products which the customers desire to buy with a minimum of effort. Price is not a factor. Examples are: tobacco, drugs, candy, soft drinks, magazine/newspapers, ice cream.

Shopping goods are those items which most customers buy after comparing prices, fashion, quality and service of several different sellers. Relatively high in value and are not bought frequently. Examples are: furniture, rugs, suits, shoes, jewelry, chinaware, automobiles, appliances.

Specialty goods are items which the individual buyer believes have special qualities that make him/her prefer them. High value, price is not of major concern, preference for a particular brand. Examples are: stereo equipment, expensive clothing, televisions, tires, period antiques, brand name chocolates.

B. Is the merchandise inventory arranged to reflect these categories?

C. If sales effort is primarily in one category, does the merchandising policy properly reflect this fact?

D. Is the merchandising policy generally in line with the majority of customers in the trading area?

E. Are selling policies and services in line with the products (credit plans, delivery services, etc.)?

F. If selling industrial goods, does the firm recognize the differences in merchandising its goods and consumer goods?

G. Is the location consistent with the type of merchandise sold and the price policies in effect?

H. Is employee capability consistent with the needs of the type of merchandise being sold?

RELATED SBA PUBLICATIONS--MERCHANDISING

MA	4.003	"Measuring Sales Force Performance"
MA	4.004	"Profile Your Customers to Expand Industrial Sales"
MA	4.005	"Is the Independent Sales Agent for You?"
MA	4.010	"Developing New Accounts"
SMA	4.014	"Improving Personal Selling in Small Retail Stores?
SBB	10	"Retailing"
SBB	13	"National Directories for Use in Marketing"

3. Pricing Policies Checklist

A. Do prices now produce an average gross margin consistent with the sales volume for this type of firm? If not, why?

B. Is the firm's pricing policy influenced by nationally advertised products, or competitor prices?

C. Is market strategy employed in setting prices?

D. Is the owner reluctant to adopt less-tha-average markup prices when good judgment dictates their use?

E. Do prices reflect attempts to sell slow-moving mechandise?

F. Are proper methods used in moving slow merchandise?

G. Is style merchandise a factor in mark-ups and mark-downs?

H. Does original mark-up policy reflect normal mark-downs, employee discounts, damaged merchandise, and shortages?

I. Does the firm use adequate mark-ups to produce desired results?

J. Are mark-ups based on cost or retail prices?

K. Have "loss leaders" ever been used? Were they necessary and/or productive?

L. Does the firm's over-all pricing policy reflect a dynamic management?

M. Do above-average mark-up sales cover the sales in less-than-average mark-up items?

RELATED SBA REFERENCES--PRICING

MA	1.002	"What is the Best Selling Price?"
MA	1.005	"Pricing for Small Manufacturers"
SMA	4.014	"A Pricing Checklist for Small Retailers"

4. Sales Development Checklist

   A. Has the firm properly distinguished between established demand and promoted or created demand for its goods?

   B. Has the owner considered all the direct and indirect sales promotion methods?

   C. Are the applicable sales promotion methods being used in effective quantitites?

   D. Is the present advertising program being checked for its effectiveness?

   E. Is the present sales volume consistent with the potential for the firm in this trading area? If not, how could it be increased?

   F. Do customers generally reflect a feeling of satisfaction in doing business with the firm?

   G. What is the firm's image in the community which it serves?

   H. How could it be improved if deficiencies are found?

   I. Is personal selling by employees consistent with the best practices?

   J. Do any suggestions seem apparent for improving sales promotion?

5. Seasonal Variations Checklist

   A. Does the firm have distinct variations in sales in different months and/or seasons of the year?

   B. Is the management using accepted methods of adjusting operating expenses to these variations?

   C. Is purchasing policy consistent with the noted variations?

   D. Would the addition of different lines of merchandise or different products help to even out the seasonal variations in sales?

   E. If seasonal variations are drastic, would it be better to close the business entirely for some period during the year?

   F. If a manufacturing firm, would it be more profitable to use the slack periods to build up inventory and to cut down factory overtime in the busy seasons?

6. Location Checklist

Retailers--Location

A. Is the firm located in a high or a low-rent area? Should it be? Is the rent paid by the firm competitive?

B. If in a low-rent area, and competing with firms in high-rent areas, how does it compensate in attracting customers?

C. Is the location good from the standpoint of meeting competition?

D. Is the total traffic in the area adequate?

E. Do neighboring stores draw potential customers?

F. Is there a parking problem for customers? Would it be worthwhile to pay for customer parking?

G. Is the location good for development of sales via promotion?

H. Is this location appropriate to the principles of location for convenience, shopping, and specialty stores?

I. Is there a better site available in the area?

J. Is the "going-home" side of the street or the "sunny-side" of the street important to this firm? Does it have this advantage?

K. Do the community and general area suggest adequate payrolls, population trends, living habits, and attitudes to encourage firm development here?

L. Are any other disadvantages of this location observed?

Wholesalers--Location

A. Is the location economically accessible to its market?

B. Are shipping costs in receiving inventory the lowest available? Would additional rail, truck, or air facilities improve efficiency and reduce costs?

C. Do competitors have advantages in costs of delivery to customers due to better location?

D. Do customers visit the store in person or call in orders by phone? If they visit, is the accessibility and customer convenience satisfactory?

E. Does this location make possible the best layout of merchandise to expedite order filling and minimize labor costs?

Manufacturers--Location

A. Should this type of manufacturer be close to its markets or to its raw materials? Is it?

B. Do the factories at this location make possible the best use of the appropriate production layout?

C. Is the location appropriate to hiring the types of labor required? Is adequate labor of the desired type available?

D. Are utility costs consistent with those available at other potential locations?

E. Are adequate shipping facilities available at competitive costs? Would additional competition by shippers be helpful?

F. Are government attitudes and community facilities encouraging?

G. Do alternative locations offer reduced costs or better profits? Why?

Service Firms--Location

A. Is customer visitation an important part of the business? If so, are facilities for customer comfort adequate?

B. Is the location consistent with the type of clientele sought and its habits in buying this service?

C. Does the firm need a high-rent location? Is it in one?

D. If efficient working conditions for employees are important, do they exist?

E. Is the firm paying an expensive rental for space when most of its business comes via telephone? Is this necessary?

F. Is drop-in business important? Does it exist in adequate quantity? Can it be developed by advertising?

RELATED SBA PUBLICATIONS

MA	2.002	"Locating or Relocating Your Business"
SMA	2.017	"Factors in Considering a Shopping Center Location"
SMA	2.020	"Business Plan for Retailers"
SMA	2.021	"Using a Traffic Study to Select a Retail Site"
SMA	2.023	"Using Census Data to Select a Store Site"
SMA	4.012	"Marketing Checklist for Small Retailers"
SMA	4.019	"Learning About Your Market"

7. Layout Checklist

Retailers--Layout

A. Is the present layout encouraging to sales because it reflects buying habits of customers?

B. Could it better reflect a good "selling machine"? How?

C. Is merchandise attractively displayed?

D. Is merchandise displayed to facilitate easy comparisons and easy examination?

E. Is customer comfort properly provided to meet the particular shopping habits of the firm's customers?

F. Are associated lines of merchandise displayed adjacently?

G. Does the layout reflect maximum use of light, ventilation, and heat?

H. Is maximum view of store space by customers, employees, and managers desirable?

I. Are selling and non-selling activities properly separated?

J. Are convenience, shopping, and specialty goods properly located in the floor plan?

K. Does the image of the store reflect colors, fixtures, and displays which are compatible with the type of customers sought?

Wholesalers--Layout

A. Does the layout make order filling easy?

B. Are most popular lines of merchandise located adjacently?

C. Is maximum use made of rolling equipment in filling orders?

D. Do customers visit the firm often? If so, is the image proper?

E. Are receiving doors convenient to inventory stocks? Are doors needed?

F. Is the line of travel from merchandise collection for orders to location of loading deliveries direct?

G. Are aisles wide enough for efficient operation?

H. Can the height of merchandise stocks be reduced in the present space?

Manufacturers--Layout

A. Does the firm now use a process or a product layout?

B. Is maximum use made of the advantages of the present layout?

C. Can the unproductive movement of raw materials, goods in process, or finished products be reduced?

D. Are testing and quality-control stations located in the best spots on the production line? Should there be more quality-control locations?

E. Are materials to be placed in production located close to the point of introduction into production?

F. Are material-receiving areas located as close to storerooms as possible?

G. Are lunch areas, rest rooms, drinking fountains, and other employee areas located for maximum efficiency?

RELATED SBA REFERENCES

SMA	7.006	"Efficient Lighting for Small Stores"
SMA	4.016	"Signs and Your Business"
SBB	10	"Retailing"
SBB	79	"Small Store Planning and Design"

8. Recordkeeping Checklist

A. Does the proprietor have monthly financial statements easily available?

B. Does a complete accounting system exist?

The elements of a good accounting system are:

(1) Business checking account
(2) Sales records
(3) Cash receipts
(4) Cash disbursements
(5) Accounts receivable
(6) Accounts payable
(7) Record of business assets
(8) Depreciation schedule
(9) Insurance records
(10) Employee compensation
(11) Inventory control
(12) Bank account reconciliation
(13) Petty cash

C. Can the owner tell quickly the amounts owed by credit customers? (Is there an accounts receivable ledger of some kind?)

D. Can sales easily be broken down into departments, chief lines of merchandise, or special items?

E. Does the system in effect provide a means of telling the profitability of individual departments or lines of merchandise?

F. Do the monthly adjustments include properly the charges for depreciation, amortization, and new inventories?

G. What type of information, not now easily available, does an owner need?

H. Does the firm take advantage of purchase discounts? Do the records provide adequate notice of discount periods?

I. Do procedures include a regular aging of accoants receivable?

RELATED SBA PUBLICATIONS--RECORDKEEPING

MA	1.013	"Steps in Meeting Your Tax Obligations"
MA	1.014	"Getting the Facts for Income Tax Reporting"
MA	2.015	"Can You Use a Minicomputer?"
MA	7.002	"Association Services for Small Business"
SMA	1.010	"Accounting Services for Small Service Firms"
SMA	1.012	"Profit by Your Wholesalers' Service"
SMA	1.017	"Keeping Records in Small Business"
SMA	2.019	"Computers for Small Business--Service Bureau of Time Sharing"
SBB	10	"Retailing"
SBB	15	"Recordkeeping Systems--Small Store & Service Trade"
SBB	80	"Data Processing for Small Business"

9. Expense and Break-even Checklist

   A. Have fixed and variable expenses been thoroughly determined?

   B. Are there advantages to altering the present relationship of fixed and variable expenses? Is this possible?

   C. Has the firm produced a break-even point for annual operations?

   D. Has this point been reduced to monthly periods?

   E. Could the break-even point in sales be lowered? How?

   F. Can any fixed expenses be made variable in order to reduce risks?

   G. How would profits change with a ten (10) percent increase in sales?

   H. How would profits change with a ten (10) percent reduction in fixed expenses?

   I. Is the firm approaching 100 percent of capacity in its present quarters?

   J. Is the present percentage of capacity known? Can it be increased?

   K. Is each expense dollar providing a productive return to the firm?

   L. Can semivariable expenses be controlled any better?

10. Asset Adequacy Evaluation Checklist

A. Does the firm lack any assets which would improve its capacity for service, its image, or its profitability?

B. Are its store fixtures, offices, and/or machines modern? Would newer ones improve image, service, or profitability?

C. Are present fixed assets consistent with the floor plan, available additional space, and customer comfort?

D. Does the firm have the necessary capital to finance its own receivables? Should this be done?

E. Do growth requirements of the immediate future suggest the need of any other current or fixed assets? If so, are plans satisfactory for their acquisition?

F. Could the firm expand sales and profits with more assets in its present operation? How?

11. Purchasing & Inventory Control Checklist

A. Are the proper sources of supply now being used?

B. Is the firm taking advantage of all purchase discounts?

C. How are minimum inventories and ordering points determined?

D. Has the firm suffered from "stock-outs" of finished merchandise or raw materials?

E. What is the record for the quality, service, and price of its present suppliers?

F. How does the firm set its minimum ordering quantities?

G. Has buying policy been guilty of buying too large quantities which were not justified by carrying costs?

H. What is the cost of carrying inventories in stock until needed? Inventory cost includes such things as interest on inventory investment, handling cost, depreciation and obsolescence, taxes and insurance, storage or warehouse cost.

I. Does the firm owner know what the best average inventory is and use it to guide purchasing policy?

J. Could more effective purchasing contribute profits to the present results of operation? How?

12. Credit Policies Checklist

A. Is the firm financially equipped to carry its own accounts receivable?

B. What types of credit accounts are available to customers now?

C. Should other types of accounts be made available?

D. What is the cost of administering the present credit program?

E. Would it be better for this firm at this time to discount all its receivables with a finance company or bank?

F. Are credit card sales being collected efficiently? What is their cost?

G. Should the firm issue its own credit cards?

H. Does its credit policy reflect the fact that the company has both small and large credit sales?

I. Has an aging of accounts receivable been made lately? What does it show?

J. Has the write-off of bad debts been realistic, too low, or too high?

K. If the firm sells to business firms, has a sales discount been offered? Should it be?

L. Has the firm taken advantage of purchase discounts offered to it?

M. Is the credit policy current and known to appropriate personnel?

N. What is the accounts receivable turnover? Compare to historical data. (Ratio Analysis #10)

RELATED SBA REFERENCES

MS	1.007	"Credit and Collections"
SBB	10	"Retailing"
SBB	31	"Retail Credit and Collections"

13. Personnel Policies Checklist

A. What has been the turnover of desirable employees?

B. Are any outstanding reasons for resignations to be observed?

C. Does the company provide training for new employees?

D. Are company policies regarding personnel known to all new and old employees?

E. Are there incentives in the personnel policy for employees to seek advancement?

F. Does the policy reflect the generally agreed-upon objectives of all employees?

G. Do opportunities exist for employees to work at different types of posittons.

H. Is the company image one that suggests this is a good firm to work with?

I. Are pay scales and/or other advantages consistent with larger firms in the area?

J. Is there any problem of employees being over-trained or under-trained?

K. Are there any recommendations for changes in the present policies?

RELATED SBA PUBLICATIONS

MA	5.001	"Checklist for Developing a Training Program"
MA	4.003	"Measuring Sales Force Performance"
MA	3.001	"Delegating Work and Responsibility"
MA	5.002	"Setting Pay for Your Management Jobs"
MA	5.003	"Pointers on Preparing an Employee Handbook"
MA	5.004	"Points on Using Temporary Help Services"
MA	5.008	"Managing Employee Benefits"
MA	7.002	"Association Services for Small Business"
MA	5.006	"Setting up a Pay System"
SMA	4.014	"Improving Personal Selling in Small Retail Firms"
SMA	5.005	"Staffing Your Store"
SBB	10	"Retailing"
SBB	72	"Personnel Management"
SBB	86	"Training for Small Business"

14. Financial Condition Checklist (Note: see page for an explanation of how the various ratios are computed.)

A. What is the relationship of assets and liabilities? (Ratio Analysis #1)

B. What is the relationship of current assets and current liabilities? (Current Ratio) (Ratio Analysis #2)

C. Are the current assets truly current?

D. Are the liabilities properly classified?

E. What is the working capital? Is it adequate?

F. What is the quick ratio? (Ratio Analysis #) 3

G. Is the firm trading on too thin an equity? (Ratio Analysis #4)

H. Does it have trouble paying its current bills? Why?

I. Have the accounts receivable been aged recently? What is the firm's policy on charging-off uncollectible accounts?

J. How much of current profits is going to pay for fixed assets?

K. Are any creditors withholding credit because of the company's debt-paying habits or is it other financial problems? (Ratio Analysis #10 and #11)

L. Does the firm need additional investment capital? Are any sources available?

M. Is the inventory turnover a cause of financial stress? Has it been reviewed for slow-moving merchandise lately? Are there other problems? (Ratio Analysis #8)

N. Is the gross margin consistent with that of comparable firms? If not, why not? (Ratio Analysis #~~10~~) 16

O. Are operating expenses in line? If not, why not? (Ratio Analysis #~~15~~) 15

P. Do company policies indicate that the financial condition will be improved? Why?

Q. Are other financial weaknesses apparent?

R. Note other appropriate ratio analyses as identified on pages

BUSINESS STATEMENT ANALYSIS

SECTION III

MANAGERIAL USES OF ACCOUNTING STATEMENT ANALYSIS AND RATIOS

By Dr. Howard Lysne, Moorhead State University, Moorhead, Minnesota

What are the objectives of good business management? A good manager should strive to--

1. Provide the public with dependable services and products at a fair cost.
2. Provide a livelihood for the employees of the business.
3. Be a good neighbor in the business community and contribute to the betterment of the community.
4. Maximize profits from the resources or assets available (This is one of the most important objectives and the one on which success or failure will be judged.)

What is good business management? "It is the art of making decisions in planning, coordinating, controlling and directing a profitable business through one's own effort and the efforts of the employees.

The business manager must make decisions and solve problems. To help do this, information and facts are needed. No longer can a manager afford to make decisions based on hunches or intuition.

Accounting is often called the "language of business." This is because business facts and events are collected, classified, and reported in accordance with accounting principles and procedures, and in accounting germs. Accounting enables companies and governmental agencies to summarize and report in an understandable fashion a huge number of transactions.

Today a business must do some accounting whether it wants to or not. Think of the numerous federal and state laws requiring information from the business

1. State and federal income tax laws. (Must determine profit to pay taxes.)
2. Payroll taxes. (FICA, Unemployment, Workmen's Compensation, etc.)
3. Fair labor standards act. (Overtime provision and minimum wage.)
4. State sales tax data.

However, because we are forced to do accounting, this should not be our primary reason for doing it. We should do it because of the information it can give us in managing our business. Accounting should be thought of as a "tool for the manager." Accounting does provide information--

1. For various federal, state and local governmental agencies.
2. For creditors.
3. For present and prospective owners.
4. For managers for the improvement of their business.

In order to better manage our business, we should get three basic types of information or reports from our accounting records.

1. Historical reports--these we should analyze.
2. Future performance reports--budgets.
3. Current performance reports--controlling.

ANALYZING FINANCIAL STATEMENTS

We should spend some time analyzing these statements so that we can evaluate past results. We should try and determine weaknesses in the business and try to improve them in the future. Our analysis can indicate areas to check on in the current operation. We should look for the following when we make our analysis:

1. Are we growing?
2. How is our liquidity?
3. How is our equity?
4. How is our activity?
5. How are our operating expenses?
6. How are our earnings?

Regarding Statement Analysis

1. Statements must be reliable or no use to analyze.

2. Statements may have to be restated for analysis purposes.

3. In analyzing statements, make use of comparative statement analysis. Compare the current statements with--

   a. past year's statement
   b. the budget
   c. the industry as a whole

4. Ratio analysis can be helpful in reducing large dollar amounts to more understandable terms.

5. Ratio expresses a relationship between two items--may be expressed as a ratio, times or percent.

6. Ratio analysis can call attention--early--to things that should be looked into and corrected.

7. Select ratios best suited to your business--many can be computed--not all needed.

8. Select ratios for which you can get industry comparisons.

9. Should have a good method for comparison of ratios from one period to the next--trends of ratios probably more significant than single measurements.

10. Ratio and comparative statement analysis is just another tool for the manager. Must be used with caution--non-financial factors may be just as important. Some businesses may be good but have poor ratios or vice versa.

Note: Refer to pages 33 to 36 for examples of financial statements and ratios.

Each of the Percentages and Ratios Can be Used in Four Ways:

1. To show the relationship existing at a specific time.

2. To compare with relationship in prior years.

3. To study the trend of each of these relationships.

4. To compare with comparable external data (national averages).

Formulas for the Ratios: (A Ratio is a relationship between 2 items)

1. Working Capital = Current Assets - Current Liabilities. (Gives the amount of Working Capital.)

2. Current Ratio = $\frac{\text{Current Assets}}{\text{Current Liabilities}}$

(Tells how many dollars in Current Assets to pay each dollar of Current Liabilities.)

3. Acid Test or Quick Ratio = $\frac{\text{Cash + Receivables + Mkt. Sec.}}{\text{Current Liabilities}}$

(Tells how many dollars in cash or near cash to pay each dollar of Current Liabilities.)

4. Total Debt to Total Assets = $\frac{\text{Total Liabilities}}{\text{Total Assets}}$

(Gives the percentage of the business owned by creditors. Debt Ratio.)

5. Net Worth to Total Assets = $\frac{\text{Total Capital}}{\text{Total Assets}}$

(Gives the percentage of the business owned by the owner or owners. Equity Ratio.)

6. Net Worth to Total Debt = $\frac{\text{Total Capital}}{\text{Total Liabilities}}$

(Tells how many dollars in equity are invested compared to each dollar of debt. Considered to be some measure of safety for creditors.)

7. Net Sales to Total Assets = $\frac{\text{Net Sales}}{\text{Total Assets}}$

(Ability of firm to generate sales in relation to total assets.)

8. Merchandise Turnover = $\frac{\text{Cost of Goods Sold}}{\text{Average Inventory (Cost)}}$

(Indicates the number of times the inventory is purchased and sold during the period.)

9. Day's Sales in Inventory = $\frac{365}{\text{Merchandise Turnover}}$

(Indicates the average number of days it takes to dispose of the inventory.)

10. Accounts Receivable Turnover = $\frac{\text{Annual Credit Sales}}{\text{Average Accounts Receivable}}$

(Indicates the number of times the Average Receivables collected during the year.)

11. Average Collection Period = $\frac{365}{\text{Accounts Receivable Turnover}}$

(Gives average number of days sales are uncollected.)

12. Accounts Payable Turnover = $\frac{\text{Annual Credit Purchase Merchandise}}{\text{Average (Trade Accounts Payable}}$

(Indicates the number of times average Accounts Payable paid during year.)

13. Average Payment Period = $\frac{365}{\text{Accounts Payable Turnover}}$

(Gives average number of days purchases are unpaid.)

14. Selling Expenses to Sales = $\frac{\text{Selling Expense}}{\text{Sales}}$

(Gives amount of % of sales dollar taken for selling expenses.)

15. Operating Expenses to Sales = $\frac{\text{Total Operating Expenses}}{\text{Sales}}$

(Gives the amount of % of sales dollar taken for operating expenses.)

16. Gross Profit to Sales = $\frac{\text{Gross Profit}}{\text{Sales}}$

(Tells how many cents out of every sales dollar is available to pay expenses and contribute to profits.)

17. Net Income to Sales = $\frac{\text{Net Income}}{\text{Sales}}$

(Amount or % of Net Income per dollar of Sales.)

18. Net Income to Net Worth = $\frac{\text{Net Income}}{\text{Total Assets}}$

(Amount of % of Net Income per dollar of investment.)

19. Net Profit to Total Assets = $\frac{\text{Net Income}}{\text{Total Assets}}$

(Amount or % of net income per dollar of investment in Assets.)

20. Earnings Per Share = $\frac{\text{Net Income (After Taxes)}}{\text{No. of Shares of Stock}}$

(Amount earned per share of stock. Subtract preferred dividends from net income.)

21. Price-Earnings Ratio = $\frac{\text{Earnings Per Share}}{\text{Current Market Price Per Share}}$

(Number of times market price is for earnings for the year.)

On the following pages are examples of how ratios are computed. You may wish to refer to the reports on pages to further understand how ratios may be computed from various statements and reports.

RETAILERS - HARDWARE
SIC# 5251

Current Data 73(6/30-9/30/80) 0-1MM	1-10MM	188(10/1/80-3/31/81) 10-50MM	50-100MM	ALL	ASSET SIZE	Comparative Historical Data 6/30/76-3/31/77 ALL	6/30/77-3/31/78 ALL	6/30/78-3/31/79 ALL	6/30/79-3/31/80 ALL	6/30/80-3/31/81 ALL
195	62	3	1	261	NUMBER OF STATEMENTS	206	212	238	258	261
%	%	%	%	%	ASSETS	%	%	%	%	%
4.2	6.0			4.6	Cash & Equivalents	5.6	6.2	5.7	5.2	4.6
12.9	19.3			14.5	Accts. & Notes Rec. - Trade(net)	17.3	16.1	14.7	14.2	14.5
58.6	47.9			55.9	Inventory	54.7	51.4	53.7	56.3	55.9
1.4	1.5			1.4	All Other Current	1.2	2.1	1.4	1.1	1.4
77.1	74.8			76.4	Total Current	78.9	75.8	75.5	76.7	76.4
15.1	16.5			15.5	Fixed Assets (net)	14.5	17.6	16.3	15.5	15.5
.7	.9			.8	Intangibles (net)	.8	1.1	.9	.9	.8
7.1	7.9			7.3	All Other Non-Current	5.8	5.6	7.3	6.9	7.3
100.0	100.0			100.0	Total	100.0	100.0	100.0	100.0	100.0
					LIABILITIES					
8.7	10.6			9.4	Notes Payable-Short Term	9.6	8.7	9.4	10.1	9.4
4.2	1.8			3.6	Cur. Mat.-L/T/D	2.9	2.9	2.9	2.9	3.6
16.5	16.2			16.3	Accts. & Notes Payable - Trade	16.4	15.3	14.8	15.6	16.3
3.7	6.2			4.3	Accrued Expenses	4.8	4.6	5.0	4.8	4.3
3.9	2.4			3.5	All Other Current	4.3	3.6	3.7	3.6	3.5
36.9	37.1			36.9	Total Current	38.0	35.0	35.8	37.0	36.9
20.6	13.7			18.9	Long Term Debt	13.3	15.6	18.0	20.3	18.9
2.9	1.2			2.5	All Other Non-Current	2.0	1.2	1.1	1.7	2.5
39.7	48.0			41.7	Net Worth	46.8	48.1	45.0	41.0	41.7
100.0	100.0			100.0	Total Liabilities & Net Worth	100.0	100.0	100.0	100.0	100.0
					INCOME DATA					
100.0	100.0			100.0	Net Sales	100.0	100.0	100.0	100.0	100.0
65.3	69.8			66.8	Cost Of Sales	66.4	66.5	66.2	67.0	66.8
34.2	30.4			33.2	Gross Profit	33.6	33.5	33.8	33.0	33.2
30.0	27.0			29.2	Operating Expenses	28.6	29.8	29.6	29.3	29.2
4.2	3.3			4.0	Operating Profit	5.0	3.7	4.2	3.7	4.0
.5	.5			.5	All Other Expenses (net)	.6	.2	.1	.4	.5
3.7	2.8			3.4	Profit Before Taxes	4.4	3.5	4.1	3.3	3.4
					RATIOS					
3.2	2.7			3.1		3.2	3.4	3.4	3.0	3.1
2.3	2.0			2.2	Current	2.2	2.3	2.3	2.3	2.2
1.6	1.5			1.6		1.7	1.7	1.6	1.6	1.6
.8	1.0			.8		1.0	1.0	.9	.8	.8
(194) .4	.6		(260)	.5	Quick	(205) .6	.7	.5	.5 (260)	.5
.2	.4			.3		.3	.3	.3	.3	.3
8 43.5	11 32.6		9	39.5		11 32.0	11 34.7	8 43.6	8 43.7	9 39.5
18 20.8	31 11.6		19	13.9	Sales/Receivables	24 15.5	22 16.5	19 19.0	18 20.8	19 18.9
28 13.2	42 8.7		32	11.4		39 9.4	37 9.9	33 10.9	34 10.8	32 11.4
114 3.2	85 4.3		96	3.8		94 3.9	89 4.1	91 4.0	101 3.6	98 3.8
150 2.3	107 3.4		140	2.6	Cost of Sales/Inventory	130 2.8	126 2.9	135 2.7	135 2.7	140 2.6
215 1.7	140 2.6		192	1.9		183 2.0	174 2.1	183 2.0	192 1.9	192 1.9
3.6	4.1			3.6		3.7	3.7	4.0	3.3	3.6
5.5	7.0			5.6	Sales/Working Capital	5.4	5.5	5.5	5.7	5.6
7.6	10.6			9.1		8.5	9.0	8.8	8.5	9.1
6.2	5.0			6.0		12.0	10.6	9.3	7.7	8.0
(173) 2.8 (53)	2.5		(229)	2.6	EBIT/Interest	(168) 4.7 (175)	4.9 (200)	4.2 (229)	3.5 (229)	2.6
1.4	1.3			1.4		2.4	2.1	2.1	1.5	1.4
3.0	4.7			4.0		5.6	5.5	5.8	4.9	4.0
(51) 1.4 (36)	2.0		(103)	1.9	Cash Flow/Cur. Mat. L/T/D	(60) 2.1 (70)	2.3 (85)	2.1 (95)	1.9 (103)	1.9
.4	.7			.4		.9	1.0	.9	.9	.4
.1	.2			.1		.1	.1	.1	.1	.1
.3	.3			.3	Fixed/Worth	.2	.3	.3	.3	.3
.9	.6			.7		.5	.7	.7	.7	.7
.8	.6			.8		.5	.5	.7	.7	.8
1.4	1.4			1.4	Debt/Worth	1.1	1.2	1.3	1.5	1.4
3.3	2.0			2.7		2.2	2.4	2.3	3.0	2.7
32.0	24.4			29.9	% Profit Before Taxes/Tangible	32.1	31.4	34.8	32.7	29.9
(185) 17.2	13.6		(251)	15.7	Net Worth	(199) 19.2 (206)	16.3 (233)	20.0 (247)	19.8 (251)	15.7
5.7	3.6			5.5		9.3	7.6	10.2	6.3	5.5
12.9	11.5			12.5	% Profit Before Taxes/Total	14.7	14.4	15.3	13.4	12.5
6.0	6.2			6.0	Assets	8.5	8.0	8.5	7.5	6.0
1.5	1.9			1.7		3.5	2.9	3.2	2.2	1.7
48.4	41.5			43.5		54.3	42.3	43.7	43.0	43.5
22.6	18.6			22.0	Sales/Net Fixed Assets	26.5	20.1	20.6	20.4	22.0
10.6	8.3			9.5		10.3	8.2	9.0	9.5	9.5
2.8	2.9			2.8		2.6	2.8	2.8	2.8	2.8
2.1	2.3			2.1	Sales/Total Assets	2.2	2.2	2.2	2.3	2.1
1.7	1.7			1.7		1.7	1.8	1.8	1.7	1.7
.6	.5			.6		.5	.5	.5	.5	.6
(183) .9 (61)	.7		(248)	.9	% Depr., Dep., Amort./Sales	(185) .8 (194)	.8 (222)	.8 (239)	.8 (248)	.9
1.5	1.5			1.5		1.3	1.5	1.4	1.5	1.5
1.5	.3			1.0		1.0	.7	1.0	.8	1.0
(146) 2.7 (45)	1.3		(192)	2.3	% Lease & Rental Exp/Sales	(151) 2.2 (149)	1.8 (177)	2.2 (187)	2.2 (192)	2.3
4.9	2.4			4.1		3.7	3.3	3.9	4.0	4.1
3.7	2.0			3.2		3.4	3.2	3.0	3.0	3.2
(125) 5.3 (29)	2.9		(154)	4.7	% Officers' Comp/Sales	(116) 5.1 (121)	5.0 (149)	4.8 (156)	4.6 (154)	4.7
8.2	4.3			7.7		8.6	8.2	7.7	7.3	7.7
183750M	328702M	118440M	151765M	782657M	Net Sales ($)	708892M	426821M	525329M	657207M	782657M
77952M	140438M	71674M	90063M	380187M	Total Assets ($)	287247M	185884M	228100M	299787M	380187M

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M = $thousand MM = $million

See Pages 1 through 11 for Explanation of Ratios and Data

RATIOS AND OTHER MEASUREMENTS FOR THE DOE HARDWARE COMPANY

Analysis	Ratios and Other Measurements	Last Year	This Year	Industry
1. Are we growing?	Total Assets	41,000	46,500	
	Total Liabilities	22,000	23,800	
	Total Net Worth	19,000	22,700	
	Book Value Per Share			
	Total Sales	80,000	100,000	
	Net Income (B.T. or A.T.)	(1,550)	950	
	# of Employees			
2. How is our liquidity?	Working Capital	16,400	20,000	
	Current Ratio	2.09 to 1	2.19 to 1	2.2 to 1
	Quick Ratio	.49 to 1	.67 to 1	
	Statement of Application of Funds			
3. How is our equity?	Total Debt to Total Assets	.54	.51	.58
	Net Worth to Total Assets	.46	.49	.42
	Net Worth to Total Debt	.86 to 1	.95 to 1	.72 to 1
	Total Debt to Net Worth	1.16 to 1	1.05 to 1	1.38 to 1
How is our activity?	Total Asset Turnover	1.95	2.04	2.1
	Merchandise Turnover	2.35	2.82	2.6
	Day's Sales in Inventory	155	129	140
	Accounts Receivable Turnover	11.11	12.53	11.48
	Average Collection Period	33	29	31
	Accounts Payable Turnover	6.04	6.50	8.90
	Average Payable Period	60	56	41
5. How are our operating expenses?	Selling Expenses to Net Sales	19.9	19.4	18.8
	Administrative Exp. to Net Sales	12.0	11.2	11.6
	Operating Expenses to Net Sales	31.9	30.6	30.4
	Selected Expenses to Net Sales (Employee Sal, Owner Salary, Advertising, Rent, etc.)			
6. How are our earnings?	Number of Times Interest Earned	0.0	2.27	
	Gross Profit to Net Sales (Margin)	.30	.315	.325
	Net Income to Net Sales	(1.93)	.95	2.10
	Net Income to Net Worth	(.08)	.042	.045
	Net Income to Total Assets	(.038)	.02	.027
	Earnings Per Share			
7. Break-Even Point		63,167	72.222	

As we make this analysis, we should note weaknesses that need correction and then the actions we should take to remedy these weaknesses.

DOE HARDWARE COMPANY
Statement of Application of Funds
For Year Ended December 31, 19-B

Funds were provided by:			
Operations:			
Net income per income statement		$ 950	
Add: Depreciation of Delivery Equipment	$600		
Depreciation of Furniture & Fixtures	700		
Depreciation of Leasehold Improv.	400	1,700	$2,650
By Additional Investment by John Doe			2,750
Total Funds Provided			$5,400
Funds were applied to:			
Purchase of Furniture & Fixtures		$1,000	
Leasehold Improvements		800	1,800
Increase in Working Capital			$3,600

The increase in Working Capital is Accounted For as follows:

Working Capital Items	Dec. 31 Year A	Dec. 31 Year B	Working Capital Increase	Working Capital Decrease
Current Assets:				
Cash	200	2,500	2,300	
Accounts Receivable	7,200	8,750	1,550	
Merchandise Inventory	23,600	25,000	1,400	
Prepaid Expenses	400	550	150	
Total Current Assets	31,400	36,800		
Current Liabilities:				
Notes Payable (Bank)	4,200	4,000	200	
Accounts Payable (Trade)	9,200	11,000		1,800
Other Payables	1,600	1,800		200
Total Current Liabilities	15,000	16,800		
Total Working Capital (Increases-Decreases)	16,400	20,000	5,600	2,000
Increases in Working Capital	3,600			3,600
	20,000	20,000	5,600	5,600

DOE HARDWARE COMPANY
Comparative Balance Sheet
December 31, 19-A & 19-B

ASSETS	Year A		%	Year B		%	Industry %	Increase or (Decrease)
Current Assets:								
Cash	200		.49	2,500		5.37	5.42	2,300
Accounts Receivable (Net)	7,200		17.56	8,750		18.82	17.188	1,550
Merchandise Inventory	23,600		57.56	25,000		53.78	51.30	1,400
Prepaid Expenses	400		.98	550		1.17	.74	150
Total Current Assets		31,400	76.50		36,800	79.14	74.64	5,400
Fixed Assets:								
Furniture & Fixtures	6,000			7,000				
Less: Accum. Depr.	1,200	4,800	11.71	1,900	5,100	10.97		300
Delivery Equipment	3,000			3,000				
Less: Accum. Depr.	600	2,400	5.85	1,200	1,800	3.87		(600)
Leasehold Improvements	3,000			3,800				
Less: Accum. Depr.	600	2,400	5.85	1,000	2,800	6.02		400
Total Fixed Assets		9,600	23.41		9,700	20.86	25.36	100
Total Assets		41,000	100.00		46,500	100.00	100.00	5,500
LIABILITIES								
Current Liabilities:								
Notes Payable (Bank)	4,200		10.24	4,000		8.60	7.42	(200)
Accounts Payable (Trade)	9,200		22.44	11,000		23.66	15.29	1,800
Other Payables	1,600		3.90	1,800		3.87	6.48	200
Total Current Liabilities		15,000	36.59		16,800	36.13	29.19	1,800
Long Term Debt:								
Mortgage Payable		7,000	17.07		7,000	15.05	10.47	-0-
Total Liabilities		22,000	53.66		23,800	51.18	39.66	1,800
CAPITAL								
John Doe, Capital, 1-1	20,550			19,000				
Add: Additional Investment				2,750				
Net Profit				950				
Deduct: Net Loss	1,550							
John Doe, Capital 12-31		19,000	46.34		22,700	48.82	60.34	3,700
Total Liabilities and Capital		41,000	100.00		46,500	100.00	100.00	5,500

DOE HARDWARE COMPANY
COMPARATIVE INCOME STATEMENT
For Years Ended December 31, 19-A and 19-B

	Year A		%	Budget Year B		Year B		%	Industry
SALES (Net)		80,000	100.00		95,000		100,000	100.00	100.00
COST OF GOODS SOLD:									
Beginning Inventory	24,000			23,000		23,600			
Purchases (Net)	55,600			65,600		69,900			
Mdse. Avail. for Sale	79,600			88,600		93,500			
Less: Ending Inventory	23,600			24,000		25,000			
Cost of Goods Sold		56,000	70.00		64,600		68,500	68.50	67.50
GROSS PROFIT (Margin)		24,000	30.00		30,400		31,500	31.50	32.50
OPERATING EXPENSES:									
Salary (Owner)	6,600		8.25	7,600		7,800		7.80	9.00
Salaries (Other)	7,620		9.52	9,000		9,520		9.52	10.50
Payroll Taxes	300		.48	450		480		.48	.50
Rent	3,600		4.50	3,600		3,600		3.60	3.45
Heat, Lights & Water	1,200		1.50	1,200		1,300		1.30	.95
Advertising	800		1.00	1,250		1,600		1.60	1.45
Property Taxes	800		1.00	800		350		.85	.80
Interest	750		.94	750		750		.75	.05
Insurance	640		.80	700		750		.75	.85
Delivery Expense	640		.80	700		800		.80	.50
Depr. on Delivery Equip.	600		.75	600		600		.60	.20
Depr. on Furn. & Fixtures	600		.75	600		700		.70	.60
Depr. on Leasehold Improv.	300		.38	300		400		.40	.00
Store and Office Supplies	500		.62	600		700		.70	.80
Loss on Bad Debts	300		.38	350		350		.35	.35
Miscellaneous Expenses	220		.25	250		350		.35	.60
Total Operating Expenses		25,550	31.93		28,750		30,550	30.55	30.40
NET PROFIT (Loss)		(1,550)	(1.93)		1,650		950	.95	2.10

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BREAKEVEN ANALYSIS[2]

The breakeven point refers to that volume where the money received for total sales or rentals equals the total costs. From the viewpoint of any small business, this is a crucial state: You have neither made nor lost money, but all of your costs for the period will be covered. After you determine where the breakeven point is, you can get reasonably correct answers to such questions as:

- If you change selling price, what happens to profits?
- If you reduce costs or expenses, how much more profit will you earn?
- At a given sales volume, what will the profit be?
- If you intend to earn a certain dollar profit, how much will you have to sell or rent to achieve your goal?
- What will happen to profit if you:

  Hire another employee?
  Start using cheaper raw materials?
  Buy a more efficient machine?
  Discharge a key official?
  Grant a general wage increase?

Think of the managerial implications of being able to answer such questions! Remember, however, that determination of the breakeven point will only be approximately accurate because it will be based largely on past performance figures.

The financial breakeven analysis can be determined mathematically or by graphs. First, it is necessary to determine the profit/loss at any given volume of sales. Second, it requires classification of costs into fixed and variable costs (see attached for examples).

Determining Breakeven by Mathematical Means

Several exhibits are used to illustrate the mathematical approach.

1. Breakeven Point (attached).
2. Sales Volume to Earn a Predetermined Rate of Profit (attached).
3. Sales Volume to Offset a 5% Reduction in Sales Price (attached).
4. Feasibility Opening for Breakfast.
5. Feasibility Buying a Pasta Machine.

Determining Breakeven by Use of Graphs

A breakeven chart is a graphic presentation of the relation between sales and expenses for all volumes of sales or percentages of

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[2]Tweedie, William A., SBM Instructor, Lane Community College, Eugene, Oregon, "Breakeven Analysis," Talk at National SBM Conference, Cincinnati, Ohio, June 23, 1981.

capacity for a given firm. Very few small firm owners have not heard of the concept and even understand generally what a breakeven point is. Yet very few actually use a breakeven chart in the decision making for their firm. The main reasons for this fact seem to be misconceptions as to the time involved in preparing a breakeven chart and lack of knowledge of its full value. Once a good breakeven chart has been made and explained to small firm proprietors, they soon see its value and use it in daily decision making.

A good breakeven chart is valuable to management decisions in budget making, pricing policy, expense control and expansion plans, among other things. It shows much more than the sales volume necessary to cover all expenses--the point of no profit or loss. It demonstrates the effects of the degree of variability in expenses and the consequences of fixed expenses. For most benefits it should have four lines drawn on its grid--sales, total expenses, variable expenses and fixed expenses.

A class project is suggested to illustrate how the breakeven chart is prepared and how it can be used. A blank breakeven chart is handed out for the XYZ Company (see attached) and the students are asked to prepare a breakeven chart based on the following information:

At sales volume of $140,000, fixed costs are $40,000 and variable costs are $80,000.

Students are asked to determine the following:

1. Breakeven point.
2. Profit @ $140,000 sales volume.
3. Profit @ $120,000 sales volume.

Reference is made to the completed chart for the XYZ Company (see attached).

Several exhibits are used to illustrate the graphic approach.

1. Breakeven Point Lowered by Reducing Fixed Costs (attached).
2. Breakeven Point Revised Due to Increased Costs, Despite Reduced Variable Costs (attached).

NOTE: The following charts may be used as transparency masters for group training sessions.

PROFIT/LOSS AT ANY GIVEN VOLUME OF SALES

SALES x PROFIT VOLUME RATIO-FIXED COST = PROFIT

(1-VARIABLE COST AS % SALES)

EX.

SALES	$106,250
PROFIT VOLUME RATIO	x .32
CONTRIBUTION (GROSS MARGIN OR GROSS PROFIT)	$ 34,000
LESS FIXED COSTS	24,000
PROFIT	$ 10,000

ABC TOOLCRAFT CO.
FIXED AND VARIABLE-COST ANALYSIS
YEAR ENDING JUNE 30, 1981
(ESTIMATED SALES FOR YEAR $69,000)

DESCRIPTION	AMT. OF FIXED COST	AMT. OF VARIABLE COST	VARIABLE COST AS A % OF $69,000 SALES
RAW MATERIAL PLACED IN PRODUCTION	--	$ 2,900	4.0%
DIRECT LABOR	--	29,500	43.0%
INDIRECT LABOR	$ 130	120	0.2%
FACTORY MAINTENANCE	65	60	0.1%
HEAT, LIGHT & POWER	550	425	1.0%
PROPERTY TAXES	270	--	--
DEPRECIATION, FACTORY EQUIP.	820	--	--
DEPRECIATION, BUILDINGS	80	--	--
FACTORY SUPPLIES EXPENSES	25	50)	
INSURANCE EXPENSES	75	--)	0.1%
MISC. PRODUCTION EXPENSES	5	20)	
SALES BONUS	--	2,300	3.0%
ADVERTISING EXPENSES	25	375	1.0%
MISC. SELLING EXPENSES	435	65	0.1%
OFFICER'S SALARY	15,400	--	--
OFFICE SALARIES	17,575	--	--
DEPRECIATION, OFFICE EQUIP.	700	--	--
BAD-DEBTS EXPENSES	150	--	--
MISC. OFFICE EXPENSES	25	--	--
TOTALS	$36,330	$35,815	52.5%

BREAKEVEN POINT

$$\text{BREAKEVEN POINT} = \frac{\text{FIXED COST TOTAL}}{100\% - \text{VARIABLE COST AS \% SALES}}$$

SALES VOLUME TO EARN A PREDETERMINED RATE OF PROFIT

$$\text{REQUIRED SALES VOLUME} = \frac{\text{FIXED COST + PROFIT}}{\text{100\% - VARIABLE COST AS \% SALES}}$$

SALES VOLUME TO OFFSET A 5% REDUCTION IN SALES PRICE WITHOUT REDUCING PROFIT

STEP 1. CALCULATE PRESENT OPERATING PROFIT

SALES x PROFIT VOLUME RATE - FIXED COSTS = PROFIT

EX. $106,250 x .32 - $24,000 = $10,000

STEP 2. ADJUST FOR 5% REDUCTION IN SELLING PRICE

$$\text{REQUIRED SALES VOLUME} = \frac{\text{DESIRED PROFIT + FIXED COSTS}}{1 - \left(\frac{\text{PRESENT VARIABLE COST PERCENTAGE}}{(1 - \text{PROPOSED REDUCTION (\%)}}\right.}$$

EX.

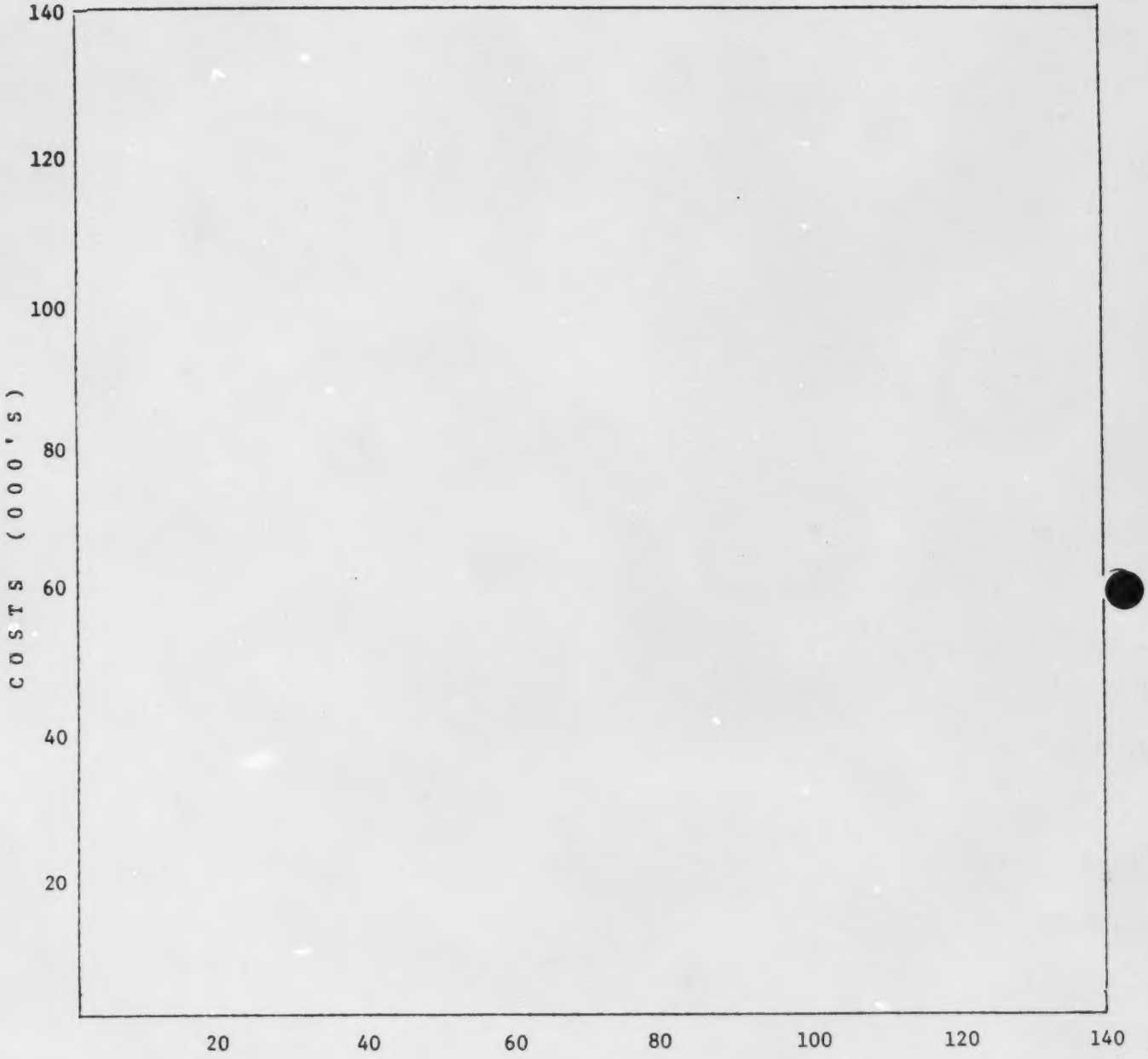
$$\text{REQUIRED SALES VOLUME} = \frac{\$10,000 + \$24,000}{1 - \left(\frac{.68}{(1 - 5\%)}\right.}$$

$$= \frac{\$34,000}{1 - .716} \quad (\text{OR } .284)$$

$$= \$119,718$$

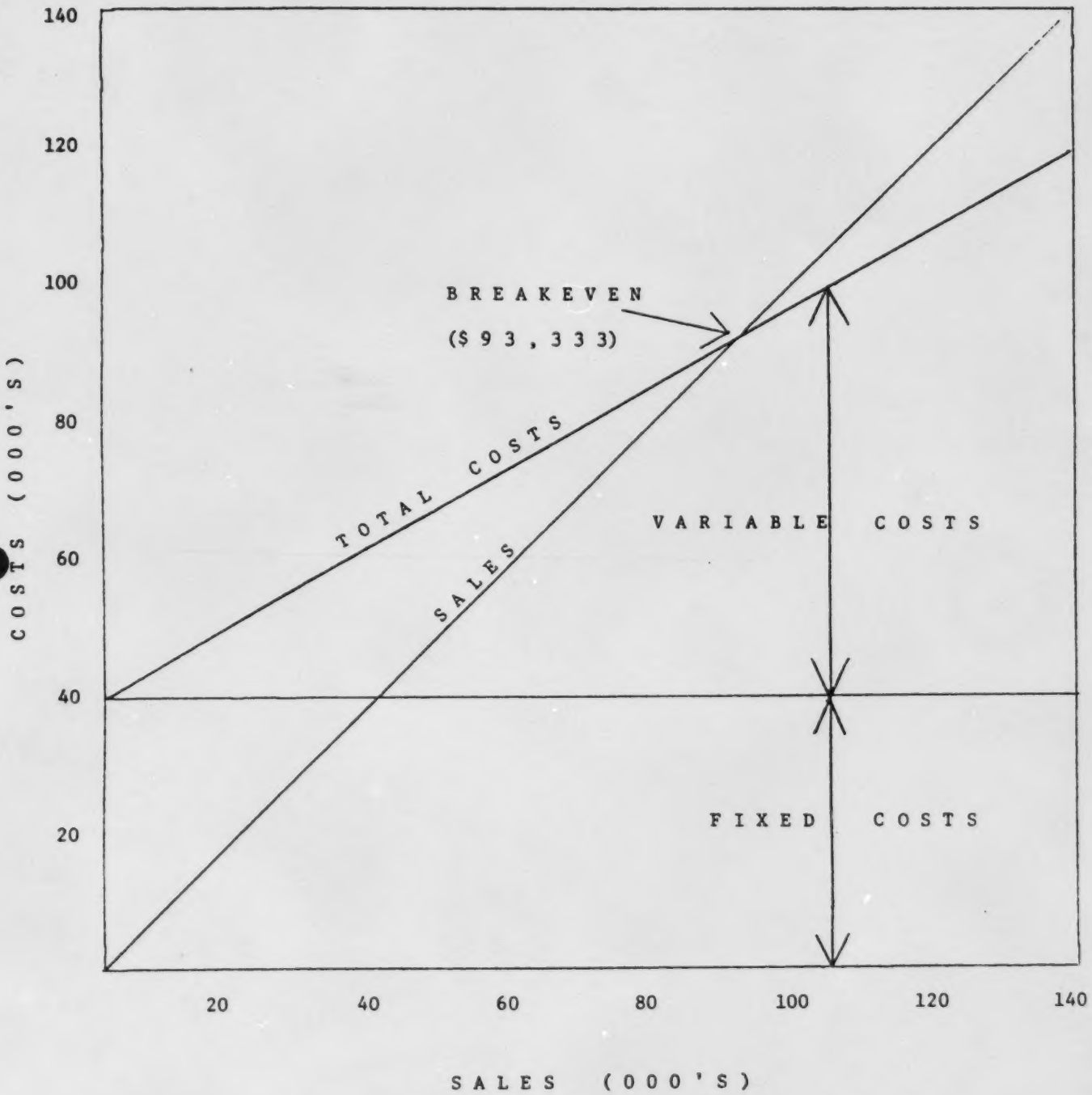
BREAKEVEN CHART

XYZ COMPANY



BREAKEVEN CHART

XYZ COMPANY



HOW A BUSINESSPERSON MANAGES CASH

How a businessman manages his cash is critical to the success or failure of a business. Efficient cash management enables the owner to fuel the company to keep it running smoothly.

Cash Flow Management is basically the same process as family budgeting. It is the process of:

1. Planning Business Revenues and Incomes
2. Planning Disbursements

Cash Flow Management is a necessary tool through which the proper balance between a healthy cash position and maximum profits can be achieved. Basically cash management involves three elements:

1. Planning Essential Cash Supply
2. Controlling Cash Flow
3. Investing Surplus Cash

The small business operator who can coordinate these three interlocking functions takes a giant step toward financial stability and "KEEPS THE WOLF FROM THE DOOR."

Cash vs. Profits

Cash and Profits are not the same thing.

Cash is the money that flows through the business in a circular fashion.

Profits only indicate how effectively the firm is being managed through the net increase over a period of time in cash, funds, or capital cycled through the business.

CASH MANAGEMENT/CASH FLOW TOOLS

Cash Flow Worksheet

Managers should use all tools available to keep abreast of cash flow and current cash position. One of the best of these tools is the cash flow chart or worksheet. It is designed to estimate future cash receipts, outlays, and balances, and then compare actual results with the estimate at the end of each month of operations. Careful preparation and use of the chart provides a schedule of cash flow and a ready device for ascertaining if the schedule is being met.

If cash shortages are anticipated, arrangements can be made to meet these shortages. Periods needing expanded credit from the bank, for example, can be anticipated and planned for. If surplus funds are anticipated, arrangements can be made for profitably investing such funds. An estimated cash balance and an actual cash balance at the end of each month is provided.

The cash flow chart provides two columns for each month. One is the planned or estimated cash receipts, outlays, and balances. The second column provides for inserting at the end of each month the actual receipts, outlays, and balances. Disparities between the estimated and actual amounts merit close attention. Adverse trends can be detected early and management decisions can be influenced by studying the results.

The estimated columns should preferably be completed for a quarter or a year in advance. Great care should be exercised in completing the estimates in each area. Many discrepancies between estimates and actual results are caused by failure to recognize lags in collecting accounts receivable and by failure to recognize all cash outlays.

It should be emphasized that we are dealing here only with actual cash flow. Credit sales are not cash receipts. Payments received against accounts receivable are. Bank loans represent cash received. Repayment of such loans are anticipated as a cash outlay. Starting from cash on hand at the beginning of the month, we add all cash received to find cash available during the month. From this amount all cash paid out is deducted to arrive at cash position at the end of the month.

Improving cash position by ignoring liabilities and purchase discounts is not to be recommended. When all liabilities are paid as due and cash flow shows a healthy cash position, the firm has a healthy all-around condition.

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TWELVE MONTH CASH FLOW STATEMENT

19____

	January		February		March		April		May		June		6 Months	
1. Cash on Hand, 1st of month	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual
2. Cash Receipts During Month														
A. Cash Sales														
B. Payments on Accounts Receivables														
C. Bank Loans														
D. Other Sources														
3. Total Cash Receipts														
4. Cash Available During Month														
5. Cash Outlays for Month														
A. Merchandise														
B. Wages & Salaries														
C. Payroll Expenses														
D. Rent														
E. Utilities														
F. Insurance														
G. Interest														
H. Repairs & Maint.														
I. Advertising														
J. Supplies														
K. Delivery Expenses														
L. Taxes														
M. Misc. Expenses														
N.														
O.														
P.														
Total Mdse. & Opr. Exp.														
Loan Repayments														
Withdrawals														
Equipment Purchases														
6. Total Cash Paid Out														
7. Cash Balance End of Month														

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TWELVE MONTH CASH FLOW STATEMENT 19___

1. Cash on Hand, 1st of month	July Est.	July Actual	August Est.	August Actual	September Est.	September Actual	October Est.	October Actual	November Est.	November Actual	December Est.	December Actual	Yearly Total Est.	Yearly Total Actual
2. Cash Receipts During Month														
A. Cash Sales														
B. Payments on Accounts Receivables														
C. Bank Loans														
D. Other Sources														
3. Total Cash Receipts														
4. Cash Available During Month														
5. Cash Outlays for Month														
A. Merchandise														
B. Wages & Salaries														
C. Payroll Expenses														
D. Rent														
E. Utilities														
F. Insurance														
G. Interest														
H. Repairs & Maint.														
I. Advertising														
J. Supplies														
K. Delivery Expenses														
L. Taxes														
M. Misc. Expenses														
N.														
O.														
P.														
Total Mdse. & Opr. Exp.														
Loan Repayments														
Withdrawals														
Equipment Purchases														
6. Total Cash Paid Out														
7. Cash Balance End of Month														

EXAMPLE: CASH FLOW STATEMENT - MILLER'S AUTO SUPPLY 19.

		JANUARY		FEBRUARY		MARCH		APRIL		DECEMBER		YEARLY TOTALS	
		Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual	Est.	Actual
1.	Cash on Hand, 1st of Month	$5000	$5,000	$3400	$4025	$2400	$2,625	$1975	$1,900	$3700			
2.	Cash Receipts During Month												
	a. Cash Sales	3000	3,800	3500	4,000	4000	4,200	4000		8000		72,600	
	b. Payments on Accounts Receivable	1800	2,000	2000	2,000	2400	2,200	2400		4000		32,000	
	c. Bank Loans	0	0	0	0	0	0	0		0		6,000	
	d. Other Sources (List)	0	0	0	0	0	0	0		0		0	
3.	Total Cash Receipts	4800	5,800	5500	6,000	6400	6,400	6400		12000		110,600	
4.	Cash Available During Month	9800	10,800	8900	10,025	8800	9,025	8375		15700			
5.	Cash Outlays for Month												
	a. For Merchandise	1200	1,500	1200	2,000	1500	1,800	1500		4500		49,000	
	b. For Wages & Salaries	3600	3,600	3600	3,600	3600	3,600	3600		4600		31,000	
	c. Payroll Expanses	100	100	100	100	100	100	100		150		1,800	
	d. Rent	400	400	400	400	400	400	400		400		4,800	
	e. Utilities	100	125	100	150	100	150	100		200		1,600	
	f. Insurance	50	50	50	50	50	50	50		50		600	
	g. Interest	0	0	0	0	0	0	0		0		100	
	h. Repairs & Mtce.	0	50	0	100	100	50	100		100		1,000	
	i. Advertising	100	200	100	200	100	100	100		200		2,000	
	j. Supplies	75	75	75	200	100	200	100		200		2,100	
	k. Delivery Expenses	150	150	150	150	150	150	150		250		2,200	
	l. Taxes	25	25	25	25	25	25	25		25		300	
	m. Misc. Expenses	100	150	200	125	100	200	100		200		1,200	
	n. Other Expenses (List)	0	50	0	0	0	0	0		0		300	
	Total Mdse. & Opr. Exp.	5900	6,475	6000	7,100	6325	6,825	6325		10875		98,600	
	Loan Repayments	0	0	0	0	0	0	0		0			
	Withdrawals	500	300	500	300	500	300	500		500		6,000	
	Equipment Purchases	0	0	0	0	0	0	0		0			
6.	Total Cash Paid Out	6400	6,775	6500	7,400	6825	7,125	6825		11375		104,600	
7.	Cash Balance End of Month	3400	4,025	2400	2,625	1975	1,900	1550		4325		6,000	

OMITTED MONTHS

SAMPLE ACCOUNTS RECEIVABLE AGING ANALYSIS

XYZ CORPORATION

Accounts Receivable
Jan. 31, 19

ACCOUNT NAME	0-30 DAYS	30-60 DAYS	60-90 DAYS	PRIOR
Acme Tool	7,894.95			
Agri-G[illegible]			816.24	
Air Sander			85.94	
Atlas Steel	1,369.15	188.99		
Bailey Co.	473.01	304.18		
Barnes & Smith			1,803.90	793.81
Buffman	17.04		329.17	
California Co.	355.76			
Capitol Grain	460.73			
Caesar Neon Sign	1,007.33	54.42	323.63	
Chirstenson Bros.	13,348.31			
Clay Basins	1,870.00			
Consolidated Saw	102.68			
Ellis, James				126.60
Forman, Inc.	2,285.54	358.28	3,037.50	
Frontier Co.	199.68			
Fred, R.D.	70.56	38.83		
GNX Corp.			10,134.15	
Great Northern			2,090.17	13,993.27
H & N Const.	283.51			
Hasco Co.			298.56	
Hobart Homes				640.52
Sub Totals	$29,738.25	$944.70	$18,919.26	$15,554.20
Grand Total				$65,156.41

ACCOUNTS RECEIVABLE AGING ANALYSIS

Date _____

Name	0-30	30-60	60-90	Prior	Total

BUSINESS PLAN DEVELOPMENT

SECTION IV

STRATEGIES FOR FEEDING MORE CASH TO YOUR BUSINESS

1. Have a cash policy.
2. Bill out on the day of the sale.
3. Establish internal cash controls.
4. Age and monitor accounts receivable weekly, monthly.
5. Budget both a business and family budget. Develop it and follow it.
6. Avoid non-essential outlays--ego trips, flashy trips, cars, vans, dinners, advertising.
7. Check your prices--raise them if possible.
8. Sell unnecessary fixed assets.
9. Let costly employees go.
10. Slow payers--stop doing business with them.
11. Inventory--reduce it by 20% or more.
12. Stop buying for a week or two.
13. Double and triple-check all bill paying.
14. Seek better terms.
15. Barter--trade out your business.
16. Trade discounts--take as many as you can.
17. Reset your profit projections by 5-10%.
18. Cooperative buying.
19. Factoring--sell your accounts receivable.
20. Accounts receivable financing.
21. Schedule merchandise delivery at latest possible date.
22. Steer clear of volume happy big deals.
23. Quantity discounts--use them if they work to your advantage.
24. Rush orders--charge extra.
25. Use a check protector.
26. Reduce personal draw.
27. Avoid pre-payment of expenses.
28. Offer cash discounts--speeds up or minimizes accounts receivables.
29. Require cash deposits/advance payments on orders.
30. Seek extended dating.
31. Have a firm collection policy and procedure.

HOW A BUSINESS PLAN HELPS MANAGER/OWNERS OF SMALL BUSINESSES

Each year, in good times and bad, more than 50,000 Americans try to realize the dream of owning their own business, even in the face of disheartening facts that half of all new businesses fail within two years and four out of five are not around after five years.

Do you know why most of these businesses fail? They fail because the entrepreneurs didn't plan carefully before they opened the business. It is tragic to realize that many--if not most--entrepreneurs charge headlong into opening the doors of their new businesses thinking they will be able to learn as they go. How desperately these owners need to know that a Business Plan on paper can help them before they open the business.

Leads to a Sound Business Structure

The Business Plan leads to a potentially sound business structure because it requires the future owner to examine the various types of legal business organization and therefore provides the opportunity for consideration of alternatives and selection of the one most advantageous for the type of business and the owner's needs. Describing the business and the opportunities which it promises to provide, examining in advance its growth potential and even its termination possibilities is an exercise which forces the future entrepreneur to establish an organization capable of weathering the economic storms that arise from time to time in every business. After careful consideration of the types of business structure available, the future owner is in a better position to balance personal needs against the advantages and limitations of each type of organization.

Produces a Marketing Strategy

The marketing strategy is the plan or set of procedures that identifies the company's typical customer, how to attract and keep that customer. The strategy is developed by the entrepreneur shortly after the idea for the business appears. It includes:

- developing a customer profile
- analyzing the competition
- identifying company image
- setting price and product and service policy
- selecting a location
- developing a plan for attracting customers
- planning for purchasing, pricing, marking and storing products or supplies
- planning for serving customers' needs through selling and selling area layout

As you can see, the marketing strategy is vital to the success of the business. Developing the marketing strategy is often a weak part of the Business Plan because it takes so much time. Lending agencies sometimes do not review the marketing strategy as carefully as they look at the financial plan, but the entrepreneur should not treat this portion of the Business Plan lightly.

Thinking through every aspect of the marketing strategy in advance will help to identify the ways in which the new business can be superior to the competition and that's the heart of the marketing process.

Clarifies Financial Needs

The Business Plan clarifies the financial needs of the business and it will receive careful review by the bankers, lending agencies, or individuals who might make money available to start the business. The Business Plan requires that the monthly business income for the first year and quarterly income for the second and third years be given.

Developing the financial plan requires estimating the dollars needed to open the business and sustain it for eighteen months. The anticipated annual and monthly flow of cash must be projected for the first year of operation. The sales volume required to produce the anticipated income must be calculated.

Financial agencies want to see a statement of opening assets (property), liabilities (debts) and net worth (amount of investment money being used by the company). And they want to know how much money you need to borrow and what your personal financial situation is.

It's a big order, isn't it? But it's critical and almost no one is permitted to open a business without it, unless there is no need for borrowing money--a rare situation indeed.

The Business Plan helps the entrepreneur work through all of the financial details to see whether there is a good chance that the business can become profitable within a year or 18 months.

Identifies Management Pathway

The Business Plan serves as an effective forecaster of management needs and gives the entrepreneur a path to follow while the business is young. One of the saddest situations in the world of small business is the entrepreneur who fails to use the Business Plan to guide management practices. Actually, the management plan for the first year of operation is the heart of the Business Plan. The entrepreneur will find in the Business Plan provisions for organizing the business, supervising employees, controlling finances, conforming to government regulations and assuming the role of owner/manager in the firm.

A BUSINESS PLAN WORKING OUTLINE by Dr. Donald Kohns, University of North Dakota, Grand Forks, North Dakota

1. Name of business

2. Address of business

3. Phone number of business

4. Names of owner(s)

5. Names of manager(s) if different

6. Type of business organization

7. Major types of products and/or services handled

8. Major competitors of the business

SECTION II

LOCATION OF THE BUSINESS

1. Factors that influenced the choice of location.

2. Major advantages of the location.

3. Major disadvantages of the location.

4. Physical condition of:

   a. The building

   b. Parking lot

   c. Storage/warehouse

   d. Customer service facilities

   e. Other (specify)

SECTION III

MARKETING STRATEGIES

1. Present major customers (profile).

2. New, potential customers (profile) demographics, census data affecting business now and in the future.

3. Present major competitors.

4. Ways that the business is superior to competitors.

5. Ways that the business is at a disadvantage to competitors.

6. Examples of current marketing promotions.

7. Recommendations for future marketing promotions (include budgets for each).

8. Present pricing policies (provide examples).

   a. Initial markups (how determined)

   b. Markdowns (how determined)

   c. Competitive pricing (how determined)

9. Product (inventory) policies.

   a. Current lines carried

   b. Inventory control systems used

   c. Suppliers utilized

10. Recommendations for product policies/procedures

11. Recommendations for product display and store layout.

SECTION IV

FINANCIAL PLAN

1. Projected sales volume (monthly and yearly).

2. Elements to be included in operating statement.

3. Appropriate ratios to be used in analyzing operatting statements.

4. Elements to be included in current balance sheet.

5. Appropriate ratios to use in analyzing current balance sheet.

6. Cash flow--present and projected needs (monthly and yearly).

7. Break-even points to include fixed and variable expenses based upon projected sales (monthly and yearly).

8. Various financial reports/forms used and/or needed.

9. Credit policies and procedures.

10. Credit collection policies and procedures.

11. Potential financial sources (identify).

12. Overall, recommendations concerning financial management.

SECTION V

PERSONNEL MANAGEMENT PLAN

1. Existing, revised, or proposed personnel organization chart.

2. Employee hiring policies and procedures.

3. Wage and salary policies and procedures.

4. Training and personnel development plan.

5. Job descriptions for manager(s).

6. Job descriptions for employees.

7. Overall recommendations for personnel management.

SECTION VI

OVERALL RECOMMENDATIONS-BUSINESS PLAN

1. Major challenges/opportunities affecting business.

2. Specific courses of action (strategies, plans, approaches) to meet/take advantage of these challenges/opportunities.

3. Managerial evaluation procedures/techniques to assess accomplishment of business objectives.

COUNSELING INFORMATION

OTHER SBA COUNSELING ASSISTANCE PROGRAMS

Small Business Institute--SBI

Through the Small Business Institute, senior and graduate students of colleges and university business schools provide on-site management counseling to small business owners. For example, a client invented a tape for wrapping pipes to stop leaks. It was publicized in Popular Mechanics a client received over 500 inquiries in two months. How to market? SCORE counselor enlisted nearby SBI Business Administration senior students to handle the case. They developed a pricing structure and a successful marketing program which was implemented within six weeks.

Call contracts--a client, without runds and desiring to purchase a pinewood distillate processing machine, checked box 406 on the 641 requesting an engineer's opinion. The SCORE counselor supported his request and the engineer was secured to perform an evaluation. Contract paid by SBA. Expenditure for machine found to be not feasible.

Minority Small Business

SBA has combined its efforts with those of private industry, banks, local communities, and other Federal agencies to increase substantially the number of small businesses which are owned and operated by citizens who are members of socially or economically disadvantaged minority groups. In addition to the Economic Opportunity Loan Program, the 8(a) Business Development Program, the Minority Vendors' Program, and the 301(d) Small Business Investment Company Program mentioned previously, the Agency's overall Minority Small Business Program brings all of SBA's services, including SCORE, together in a coordinated effort to make more sound business opportunities available to socially and economically disadvantaged individuals.

SBA's Women's Business Enterprise goals are to impact a favorable change in the public understanding and recognition of female entrepreneurship as a viable economic force; and to encourage the expansion of women in business by fostering equal opportunity to financial access, management skills and government procurement.

Small Business Development Centers--located at a number of universities and funded by SBA and states. They counsel and help train small business owner/managers in engineering, technical, financial, marketing, production and organization matters. In some areas, agreements between SCORE and SBIC have been worked out on matters of referrals and general cooperation.

PASS--Procurement Automated Source System provides a computerized medium in which a small business's capabilities can be matched with requirements for future government procurements. Interested and eligible clients can fill out an application (obtained from the SBA district office or the chapter library) the information from which goes into a nationwide computer bank.

Small Business Investment Companies (SBICs) are SBA's equity financing arms. Regular SBICs organized under Section 301(d) act solely to assist socially or economically disadvantaged entrepreneurs. Loans by these companies to small business clients are usually of a venture capital nature, e.g., for startups, long, moderate growth, modernization or expansion. For more information, contact the Associate Administrator for Investments at your SBA regional office.

ADDITIONAL SOURCES OF COUNSELING INFORMATION

This section of the manual indicates sources of information for use both by SCORE and ACE, and other SBA counselors and their clients to obtain a wide range of general and technical data on many different types of business activities, which can be very helpful in the analysis of individual business entities.

Government Agencies

Publications available through the SBA are listed by chapter subjects in the appendix of this book and on forms 115A and 115B. Those on Form 115A are generally available in the SBA district offices, while those on 115B may be purchased from the Department of Commerce or the Superintendent of Documents. Many of these include financial statistics which can be utilized as a measure of the specific activities under consideration.

Other government agencies, most of which have offices in major cities, have much data available on population, trade, employment, production, etc. These include:

- Department of Commerce
- Department of Agriculture
- Department of Treasury
- Department of Interior
- Internal Revenue Service
- Federal Trade Commission
- Department of Health and Human Service
- Department of Education

In addition, local agencies, such as City Assessor or the City, County, or State Planning Commissions, have much information

available on population patterns, land use, etc., which can be helpful in site location or market analysis.

Trade Associations

There are many national and local trade associations, covering a wide range of businesses, which compile information about their respective industries for the benefit of their members. A catalogue of the major associations is published periodically by the U.S. Department of Commerce, and association indexes are found in many public libraries. Some of these organizations may be reluctant to provide information to non-members, while others will make it available for any legitimate purpose, sometimes for a nominal fee.

Chambers of Commerce (national, state and local) are closely related to the trade associations and are generally glad to help new or prospective businessmen.

Colleges and Universities

These institutions generally have business research departments and have great stores of information, as well as many knowledgeable people who can help in obtaining information on specific subjects.

Public Libraries

Most of the larger libraries have business sections in which much information is available, in addition to the more technical data in the other sections.

Some of the publications which may be of general use are:

- Standard & Poor's Corporation manual which provides financial data on all listed companies, with index classifications by industry. Moody's has similar publications.
- Thomas Register--listing sources of supply for a wide range of products.
- Yearbook of the National Retail Merchants' Association giving performance data on department stores and a wide range of retail stores.
- Manual of Performance Ratios by Troy--published by Prentice-Hall.
- Operating and financial statistics published by Robert Morris Associates and Dun and Bradstreet.

Publications

- Periodicals such as the Wall Street Journal with its special column and stories on small businesses.

- Many business organizations, such as National Cash Register Company and Bank of America, have business information available for the asking.

Credit Agencies

- Credit bureaus and rating services, such as Dun & Bradstreet, are a good source of certain types of data, including statistics on business failures.

People

One of the best sources of information is people who have knowledge of the particular business or industry, including bankers, accountants, lawyers and other businessmen. Suppliers and representatives of equipment manufacturers can often provide information on specific types of business. County extension agents and members of business development committees can be helpful.

YOU SHOULD CONTACT THE FOLLOWING OFFICES WHEN PLANNING YOUR BUSINESS:

INTERNAL REVENUE SERVICE, Box 2461, Fargo, ND 58108;
Local Phone 293-0650; Long Distance (Toll Free) 1-800-342-4710

Business Tax Kit (Tailored to needs of the Type business involved) may include:

Application for Employer Identification number.
Employment Tax Returns, Form 941 (for employee tax withholding, Employee and Employer Social Security Tax) filed quarterly and information on depositing payroll taxes.
Federal Unemployment Tax Return, Form 940 filed annually.
Estimated Income and Social Security Tax for self employed people filed quarterly.
Any Federal Excise Tax, Highway Use Tax Forms and instructions peculiar to your type of business.
Tax Guide for Small Business.

U.S. DEPARTMENT OF LABOR, WAGE AND HOUR DIVISION, Box 2761, Fargo, ND 58108 or Box 1434, Bismarck, ND 58501

For information on Federal laws regarding minimum wage, overtime, child labor, and who covered.

OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA), Russell Building, Hwy 83 N., Route 1, Bismarck, ND 58501 Local Phone 255-4011, Extension 521, Long Distance (Toll Free) 1-800-472-2959

For information on employee safety and health requirements.

SMALL BUSINESS ADMINISTRATION, Box 3086, Fargo, ND 58108
Phone 237-5771, Extension 5131

For Management Publications, Volunteer Management Counseling, Management Training and Financial Assistance (First contact your local commercial Bank Loan Officer for review of plans, financing arrangements, and information about the trade area for your type of business).

STATE TAX COMMISSIONER, Capital Building, Bismarck, ND 58501
Phone 224-3470 (Sales Tax); 224-3450 (Income Tax)
Long Distance (Toll Free) Jan-April (Income Tax) 1-800-472-2110

For Retail Sales Permit and Forms (filed monthly) and Sales Tax information.
State Employer Identification number and Forms for Employee State Income Tax Withholding.
State Income Tax Returns and Business Privilege Tax Forms and instructions (filed annually).

EMPLOYMENT SECURITY BUREAU, 1000 East Divide, Box 1537, Bismarck, ND 58501 Phone 224-2825; Long Distance (Toll Free) 1-800-472-2952

For State Unemployment Insurance Tax Returns (filed quarterly and information.

WORKMEN'S COMPENSATION BUREAU, Russell Building, Hwy 83 N., Route 1, Bismarck, ND 58501 Phone 224-2700

For Workmen's Compensation Insurance, Forms and information (filed annually in advance).

NORTH DAKOTA DEPARTMENT OF LABOR, Capital Building, Bismarck, ND 58501 Phone 224-2660

For State Requirements and information on child labor laws, minimum wage and definitions.

CAPITAL BUILDING, Bismarck, ND 58501 Phone 224-2000

For any North Dakota Sate Licenses peculiar to your type of business including Secretary of State, Attorney General, State Treasurer, Commissions, Boards, or Departments.

CITY AUDITOR, City Hall, your city

For Municipal licenses, local ordinances.

COUNTY AUDITOR, County Court House, Your County

For licenses, permits, and information on ordinances applying to businesses located outside of the city.

TOWNSHIP CLERK, your township

For permits and zoning applying to businesses located outside of the city.